

Company Note
IGD
Resilience in 2020

IGD should prove resilient in 4Q19 and FY20 to the still poor macroeconomic environment in terms of GDP and consumption trends. We confirm our positive stance on the stock, supported by undemanding valuation and solid dividend yield.

Outlook: resilience in 2020 and pipeline development

We think that 4Q19 should be affected by poor seasonality (we expect +2-3% yoy growth in the FFO), although the company should prove resilient to the still poor macroeconomic environment in terms of both GDP and consumption trends, mostly supported by the revision of the agreement with Coop Alleanza, in our view. For 2020, IGD's management pointed to what we believe is a reasonable and conservative FFO growth of approximately 2-3% in the first part of the year and confirmed that no M&A is in the pipeline, except for some minor non-core disposals. The company continues to invest in its pipeline development, which we think should support 2021E revenues growth.

Estimates: cash generation and dividends

We reduced our 2019E-21E revenues forecasts, in order to conservatively take into account the lower rental income in 2019E-20E. Despite the earnings revision, our estimates confirm the company's cash generation capability with an estimated cumulated FFO of around EUR 260M over this period. The company's current dividend policy aims to maintain an appealing shareholders' remuneration, which should lead to a EUR 0.50/share dividend on 2019 fiscal year, in line with the previous one. Going forward, we assume that the dividend/FFO pay-out ratio could be around 66%, as we see the company having sufficient cash generation to confirm an appealing dividend policy. Based on this assumption, we calculate cumulated dividends of around EUR 170M for an average 8% yield.

Valuation

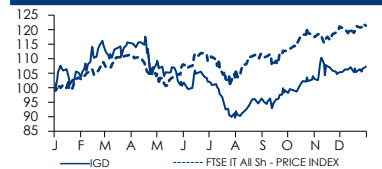
Following the past capex deployment and portfolio rationalisation, the company could now broadly be considered a cash cow, in our view. Capex for the renovation and the reshaping of assets in order to match the needs for new malls features (more oriented towards centres of aggregation) will continue, but management's focus is now on cash generation, enforcing resilience rather than on growth, thus offering solid dividends to shareholders. **We reiterate our BUY rating.**

MID CORPORATE
22 January 2020: 12:19 CET

Date and time of production

BUY
Target Price: EUR 9.2
 (from EUR 9.1)

 Italy/Real Estate
 Update

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

IGD - Key Data

Price date (market close)	20/01/2020
Target price (EUR)	9.2
Target upside (%)	46.96
Market price (EUR)	6.26
Market cap (EUR M)	690.76
52Wk range (EUR)	6.86/5.24

Price performance %	1M	3M	12M
Absolute	1.8	8.5	6.1
Rel. to FTSE IT All Sh	1.6	0.7	-12.3

Y/E Dec (EUR M)	FY18A	FY19E	FY20E
Revenues	162.5	163.2	167.4
EBITDA	112.6	124.4	127.9
EBIT	81.20	63.71	107.2
Net income	46.40	27.26	70.03
EPRA EPS (EUR)	0.70	0.70	0.72
Net debt/-cash	1,108.3	1,138.6	1,137.6
Adj P/E (x)	10.2	9.0	8.6
EV/EBITDA (x)	16.8	14.7	14.3
EV/EBIT (x)	23.3	28.7	17.1
Div ord yield (%)	7.1	8.0	8.3

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Earnings Outlook

Outlook for the next quarters: resilience

As already stated by management in 9M19 results, the last quarter of 2019 should be affected by poor seasonality (we expect +2/3% yoy in the FFO). In 9M19, the company demonstrated its good resilience to the still-poor macroeconomic environment in terms of both GDP and consumption trends, mostly supported by the revision of the agreement with Coop Alleanza, in our view.

For 2020, IGD's management pointed to what we believe is a reasonable and conservative FFO growth of approximately 2-3% in the first part of the year and confirmed that no M&A is in the pipeline, except for some minor non-core disposals.

Asset management: pipeline development continues

On asset management and development pipeline, we highlight:

- The restyling at the Casilino di Roma Shopping Centre was completed, and the restyled centre was inaugurated on 25-26 October weekend during which a 11.4% increase in footfalls was recorded;
- Work was also finished at the Fonti del Corallo Shopping Centre in Livorno, (inaugurated in November);
- Consistently with the 2019-21 business plan, work continued on the remodelling of a few hypermarkets, specifically the Le Maioliche, Conè (expected to be completed by February 2020) and Porto Grande (to be completed by September 2020) shopping centres;
- With regards to the Porta a Mare project, work on the Piazza Mazzini section is basically finished: on 30 September, definitive sales agreements were signed for the sale by IGD of Palazzo Orlando (an office building included in this section) and, at the same time, the purchase of 50% of the Darsena City Shopping Mall in Ferrara;
- The Officine Storiche work are expected to be completed by the end of 2020. Leasing of the retail spaces continued (more than 60% of the space has already been let/pre-let) while, even though the work will not be completed for about another year, 2 preliminary sales agreements for 2 apartments have already been signed.

Estimates revision: more conservative on rental revenues and FV changes

We reduced our 2019E-21E revenues estimates in order to conservatively take into account the lower rental income in 2019-21E. However, despite our earnings revision, our estimates confirm the company's cash generation capability with an estimated cumulated FFO of around EUR 260M over this period. In detail:

- We lowered our 2019-21E rental income in order to take into account a more challenging scenario in Italy;
- We increased our FV changes assumptions for 2019E in order to take into account the negative effect of a slight interest rate increase and a more challenging scenario in the retail business;

- We slightly increased our 2019E-21E net financial charges in order to take into account some non-recurring costs for refinancing.

Overall, we fine-tuned our revenues and EBITDA forecasts, with a more material revision in the adjusted EPS. However, our expected cash generation was only marginally affected, with FFO broadly unchanged over the period, as the majority of our revisions were non-cash items. This should lead to a downwards revision of DPS, which should remain solid over the next few years.

IGD – Estimates revisions vs. previous

%	2019E New/Old	2020E New/Old	2021E New/Old
Revenues	-2.0	-2.2	-2.2
EBITDA	-3.3	-2.7	-2.3
Net income	-34.1	-8.7	-4.3
Adj. net income	-16.4	-16.4	-12.7
FFO	-0.1	-4.3	-3.8
Adj. EPS	-16.4	-16.4	-12.7
Net debt/-cash	0.5	1.1	1.2
DPS	0.0	-4.3	-3.8

E: estimates; Source: Intesa Sanpaolo Research

Estimates: cash generation to support dividends

IGD – Income statement (2018A-21E)

EUR M	2018A Actual	2019E New	2020E New	2021E New	2019E old	2020E old	2021E old	2018-21E CAGR (%)
Rental from domestic malls	90.4	99.7	107.0	109.9	101.9	109.3	112.2	6.7
Rental from hyper/supermarket	40.7	40.7	40.9	41.6	41.4	42.0	42.6	0.7
Rental revenues from Romania	9.6	9.5	9.6	9.7	9.7	9.8	9.9	0.5
City centre & other	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.8
Total gross rental incomes	151.8	156.6	159.6	163.1	159.7	163.1	166.7	2.4
Service revenues	6.3	6.3	6.3	6.4	6.4	6.5	6.6	0.7
Non-oper. income (trading)	4.4	0.3	1.5	1.9	1.9	1.9	1.9	-24.4
Total revenues	162.5	163.2	167.4	171.5	168.0	171.5	175.2	1.8
Cost of sold	-5.5	-4.4	-4.4	-4.4	-2.4	-2.4	-2.4	-24.2
Direct cost/other opex (*)	-33.0	-23.0	-23.6	-23.2	-27.0	-27.6	-27.2	-12.5
G&A expenses	-11.4	-11.4	-11.6	-11.7	-10.0	-10.2	-10.3	30.0
Total costs	-49.9	-38.8	-39.5	-39.3	-23.0	-23.6	-23.2	-7.6
EBITDA	112.6	124.4	127.9	132.2	128.6	131.4	135.3	5.5
EBITDA margin (%)	69.3	76.2	76.4	77.1	76.6	76.6	77.2	
Provisions	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	0.0
D&A	-1.0	-1.6	-1.6	-1.6	-1.6	-1.6	-1.6	17.4
Write downs and FV	-30.3	-59.0	-19.0	-17.0	-51.0	-19.0	-17.0	-17.5
EBIT	81.2	63.7	107.2	113.5	75.9	110.6	116.6	11.8
NFC	-32.5	-36.0	-35.8	-34.1	-33.8	-32.5	-33.7	1.6
Other operations/equity stakes	-0.1	0.1	0.1	0.1	0.1	0.1	0.1	NM
EBT	48.7	27.8	71.5	79.5	42.2	78.3	83.0	17.8
Taxes	-2.3	-0.6	-1.4	-1.6	-0.8	-1.6	-1.7	-11.6
Net income	46.4	27.3	70.0	77.9	41.4	76.7	81.4	18.9
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Group net income	46.4	27.3	70.0	77.9	41.4	76.7	81.4	18.9
Group adj. Net income	76.8	77.1	79.9	85.8	92.2	95.6	98.3	3.8
EPS adj.	0.696	0.699	0.724	0.778	0.836	0.866	0.891	3.8
No. of shares	110.3	110.3	110.3	110.3	110.3	110.3	110.3	0.0
DPS	0.500	0.500	0.522	0.541	0.500	0.546	0.562	2.7
FFO	79.7	83.8	86.0	89.1	84.0	89.9	92.6	3.8
FFO/Sh.	0.722	0.760	0.780	0.807	0.761	0.815	0.839	3.8
Net debt	1,108	1,139	1,138	1,110	1,133	1,125	1,097	0.1

NM: not meaningful; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research. (*) 2018A is pre-IFRS16 application, which had an effect of around EUR 10M lower leasing costs (then split on additional D&A and NCF).

IGD – Balance sheet

EUR M	2018A	2019E	2020E	2021E
Total non-current assets	2,358	2,333	2,346	2,339
Net working capital	26	56	56	56
Risk and provisions	-6	-6	-6	-6
Net employed capital	2,378	2,383	2,396	2,389
Shareholders' equities	1,252	1,224	1,239	1,259
Minorities	0	0	0	0
Total equity	1,252	1,224	1,239	1,259
Net liabilities for derivatives	17	20	20	20
Net debt	1,108	1,139	1,138	1,110

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

IGD – Cash flow statement (2018A-21E)

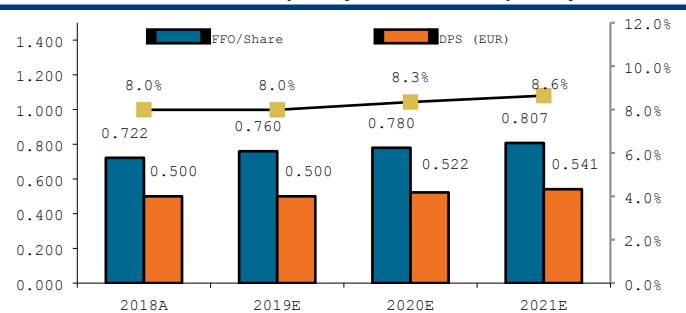
EUR M	2018A	2019E	2020E	2021E
Net debt start of year	1,060	1,108	1,139	1,138
EBT	48.7	28	71	80
Non-cash items	33	58	15	10
Taxes	-2	-1.6	-1	-2
FFO	79.7	84	86	89
Change in working capital	30	-30	0	0
Cash change in fund	3	0	0	0
Capex	-222	-60	-34	-12
Free cash flow	-110	-6	52	77
Dividends	-55	-55	-55	-58
Capital increase	150	0	0	0
Other	-34	1	4	8
Cash flow for the year	-49	-30	1	27
Net debt end of year	1,108	1,139	1,138	1,110

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

IGD - Dividend payout and yield (at EUR 6.15/sh. price*)

	2018A	2019E	2020E	2021E
FFO (EUR M)	79.7	83.8	86.0	89.1
EPS (EUR)	0.420	0.25	0.63	0.71
Adj. EPS (EUR)	0.696	0.699	0.724	0.778
No. of shares (M)	110	110	110	110
FFO/share (EUR)	0.722	0.760	0.780	0.807
DPS (EUR)	0.500	0.500	0.522	0.541
Dividend yield (%)	8.1	8.1	8.5	8.8
FFO (%)	69.3	65.8	67.0	67.0

*priced at market close on 20 Jan 2020; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

IGD – FFO/sh. and dividend yield (at EUR 6.26/sh. price*)

*priced at market close on 20 Jan 2020; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation

We continue to adopt 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), coupled with a multiples approach (using P/NAV). In our DCF-based and DDM valuation we changed our RF rate of 1.5% (from 2.75%) and ERP to 7.0% (vs. 6.75%) reflecting the periodical revision of our parameters.

Our **target price** is obtained by averaging the three methodologies (DCF, DDM and P/NAV multiple) as shown in the table below and **slightly moved up to EUR 9.2/share** (vs. EUR 9.1/share) as the lower WACC effect was almost entirely offset by our lower estimates. This would imply an approx. 17% discount compared with our 2019E NAV/share estimates vs. the current ~44% stock price discount to NAV. **We confirm our BUY rating, given the 47% upside.**

TP at EUR 9.2/share vs. EUR 9.1/share; BUY confirmed

IGD - Final Target Price

	TP (EUR /share)	Prem./Disc. on NAV 2019E %
IGD DCF model	13.6	22
IGD DDM model	6.6	-41
IGD average peers' multiple	7.4	-33
Average TP	9.2	-17

Source: Intesa Sanpaolo Research estimates

DCF methodology

IGD - DCF valuation (2019E-25E)

EUR M	2019E	2020E	2021E	2022E	2023E	2024E	2025E	Beyond
EBIT	63.7	107.2	113.5	132.4	134.7	136.5	138.9	
Taxes	-0.6	-1.4	-1.6	-2.1	-2.1	-2.2	-2.4	
NOPAT	63.1	105.7	111.9	130.4	132.6	134.3	136.6	136.6
D&A and other nn-cash items	60.7	20.7	18.7	1.7	1.7	1.7	-3.1	-3.5
Total capex	-59.9	-33.8	-11.9	-8.7	-8.7	-8.7	-8.7	-20
Working capital	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Operating FCF	63.8	92.5	118.5	123.2	125.5	127.2	124.6	112.6
NPV FCF	61	84	102	101	98	94	88	
SUM DCF (2019E-25E)	627							
TV	2,856							
NPV TV	2,011							
SUM TV+DCF	2,638							
Net debt 2018A/Sever. & funds	-1,142							
Equity	1,496							
Equity value (EUR/sh.)	13.6							

E: estimates; Source: Intesa Sanpaolo Research

DDM methodology

IGD - DDM method (2019E-25E)

EUR M	2019E	2020E	2021E	2022E	2023E	2024E	2025E	Beyond
FCFE	55.2	55.2	57.6	59.7	69.4	71.5	73.2	73.2
COE (%)	7.80							
NPV FCFE	51.2	47.5	46.0	44.2	47.7	45.5	43.3	
SUM FCFE 2019E-25E	325							
Terminal Value (net of funds)	679							
NPV Terminal value	401							
Total FCFE	727							
FCFE/Sh (EUR)	6.6							

E: estimates; Source: Intesa Sanpaolo Research

Multiples analysis

Peers Multiples

x	P/NAV 2018	P/NAV 2019	P/NAV 2020
IGD	0.55	0.56	0.54
Beni Stabili S.p.A. SIQ	-	-	-
Coima Res	0.76	0.72	0.68
Eurocommercial Properties NV	0.52	0.54	0.54
Unibail-Rodamco-Westfield SE Stapled	0.63	0.68	0.70
Klepierre SA	0.82	0.84	0.86
Mercialys SA	0.57	0.59	-
Wereldhave N.V.	0.42	0.48	0.55
MERLIN Properties SOCIMI, S.A.	0.86	0.82	0.78
Covivio SA	1.09	1.02	0.99
Gecina SA	1.04	0.96	0.92
Icade SA	1.09	1.02	0.98
AVERAGE	0.76	0.75	0.75

Source: FactSet

IGD – Peers' multiples valuation

		2019E NAV	NAV/sh.
Peers' P/NAV average 2019 (Factset)	0.75	1,224	8.3
Holding cost/sh.	0.88		-0.9
Implied share value (EUR/share)			7.4

E: estimates; Source: Intesa Sanpaolo Research estimates

Target price calculation

IGD – Target Price calculation

	TP (EUR /share)	Prem./Disc. NAV 2019E (%)
IGD DCF model	13.6	22
IGD DDM model	6.6	-41
IGD average peers' multiple	7.4	-33
Average TP	9.2	-17
Mkt price discount to NAV		-44
2019E NAV/sh.		11.10

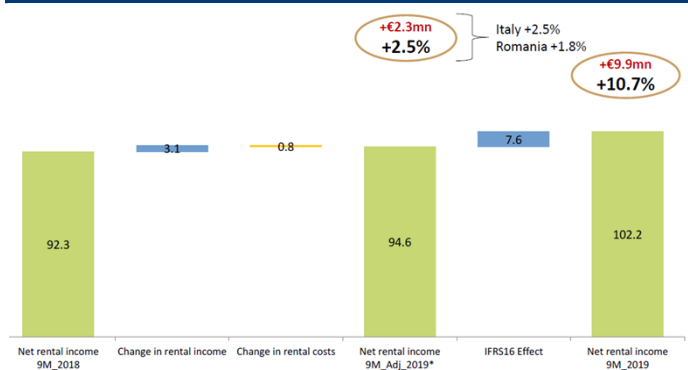
E: estimates; Source: Intesa Sanpaolo Research

3Q/9M19 Results

IGD's 3Q/9M19 results were bang in line with our estimates, with the main positives coming from the FFO trend (guidance confirmed), although we believe the last quarter of 2019 is likely to be affected by poor seasonality (we expect +2-3% yoy), and resilience to the still-poor macroeconomic environment in terms of both GDP and consumption trends. The key points of 9M19 results were:

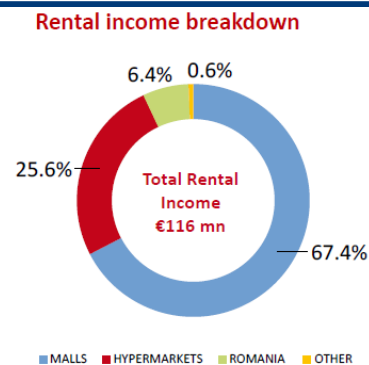
- **Net rental income** at EUR 102.2M in 9M19 up by 10.7% yoy (+2.5% net of IFRS16 effect), thanks to the consolidation of ECP assets (around EUR 3M) and, on a like-for-like basis, mostly thanks to the positive contribution from Romanian rentals (+2.7% yoy), driven by a higher occupancy ratio, which has been partially offset by slightly lower contribution from Italian revenues (-0.1% yoy);

IGD – 9M19 net rental income (EUR M)



Source: Company data

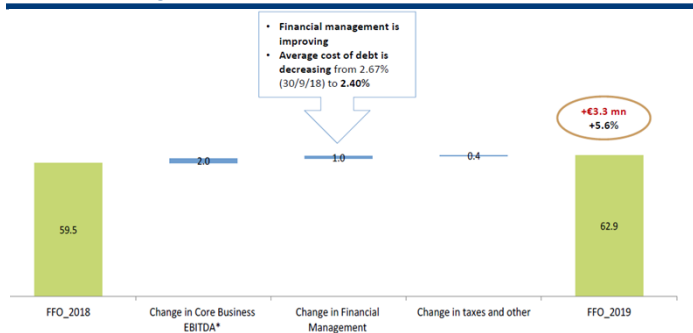
IGD – Rental income breakdown (%)



Source: Company data

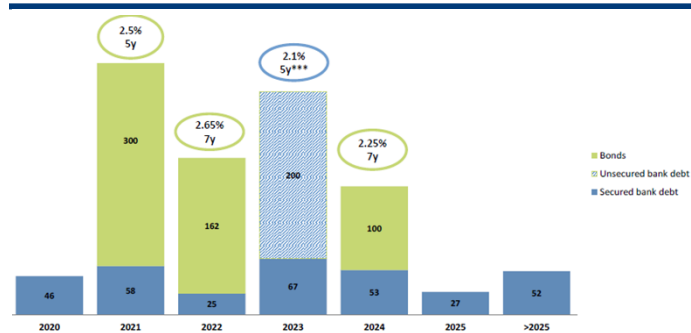
- **Core EBITDA** reported an increase of 11% yoy (+2% ex-IFRS16) reaching EUR 94M, which mainly reflected the contribution from M&A, in a flattish net services income environment;
- **Group net profit adjusted** for impairment and fair value changes in 9M19A at EUR 68.7M, higher compared to the EUR 57.2M reported in the same period of last year;
- **FFO at EUR 62.9M**, growing by 5.6% yoy (excluding IFRS16 effects on lease costs), thanks to the lower financial expenses and taxes of the period, and a touch above FY19 guidance of a yoy increase around 4-5%. For 2020, management pointed to what we believe is a reasonable and conservative FFO growth of approximately 2-3% in the first part of the year and confirmed no M&A in the pipeline, except for some minor non-core disposals;
- **LTV at end-September stood at 47.8%** (including IFRS16 accounting) or 46.7% (excluding the IFRS16 effect), improving by 40bps vs. the 30 June 2019 result (48.2%, including IFRS16). Major net debt maturities start from 2021, as shown in the following chart.

IGD – FFO Bridge (EUR M)



Source: Company data. Note: * net of non-recurring.

IGD – Debt Maturity



Source: Company data

IGD – 3Q/9M19A results

EUR M	3Q18A	9M18A	FY18A	3Q19A	3Q19E	3Q19C	3Q A/E %	3Q A/C %	3Q yoy %	9M19A
Total rental income	38.9	113.0	151.2	38.7	38.7	-	0	-	-1	116
Services	1.5	4.6	6.3	1.6	1.6	-	1	-	7	4.8
Trading	1.4	4.1	4.4	0.4	0.0	-	NM	-	NM	0.4
Total revenues	41.8	121.7	162.5	40.6	40.3	-	1	-	-3	121.2
Operating cost	-10.4	-29.6	-45.2	-6.9	-5.7	-	21	-	NM	-18.7
Non-operating cost	-2.5	-8.0	-4.7	-2.5	-3.0	-	-17	-	NM	-8.6
EBITDA total	28.9	84.1	112.6	31.3	31.6	-	-1	-	8	94.0
EBITDA margin %	69.2	69.2	69.3	77.1	78.4	-	-	-	-	77.6
D&A, FV changes & provisions	-2.4	-5.5	-31.4	-7.7	-5.2	-	48	-	NM	-47.1
EBIT	26.5	78.6	81.2	23.6	26.4	-	-11	-	-11	46.9
NCF	16.1	0.0	-32.5	-8.3	-8.0	-	3	-	NM	-24.7
Extraordinary items	0.0	0.0	-0.1	0.0	0.0	-	NM	-	NM	0
EBT	42.6	54.4	48.7	15.3	18.4	-	-17	-	-64	22.2
Taxes	-0.8	-2.0	-2.3	0.0	-0.5	-	-100	-	NM	0.2
Minorities	0.0	0.0	0.0	0.0	0.0	-	-	-	-	0
Net income	17.6	52.4	46.4	15.3	17.9	-	-15	-	-13	22.4
Net income adj.	19.3	57.2	76.7	26.9	17.9	-	50	-	40	68.7
FFO	20.6	59.5	77.5	21.1	21.1	-	0	-	2	62.9
Net debt	1,109	1,109	1,108	1,174.0	1,179	-	0	-	6	1,174
NNNAV/share (EUR, ISP calc.)	11.28	-	11.31	11.0	10.84	-	2	-	-2	11.0
LTV %	45.8	45.8	45.8	47.8	49.4	-	-	-	49.4	47.8

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

IGD – Key Data

Rating BUY	Target price (EUR/sh) Ord 9.2	Mkt price (EUR/sh) Ord 6.26			Sector Real Estate
Values per share (EUR)	2017A	2018A	2019E	2020E	2021E
No. ordinary shares (M)	81.33	110.3	110.3	110.3	110.3
Market cap (EUR M)	645.56	782.10	690.76	690.76	690.76
Adj. EPS	0.770	0.696	0.699	0.724	0.778
CFPS	1.3	0.14	-0.30	0.45	0.54
BVPS	13.72	11.51	11.28	11.41	11.59
NAVPS	13.72	11.35	11.10	11.22	11.41
Dividend ord	0.500	0.500	0.500	0.522	0.541
Average Price	7.9	7.1	6.3	6.3	6.3
Income statement (EUR M)	2017A	2018A	2019E	2020E	2021E
Revenues	150.2	162.5	163.2	167.4	171.5
EBITDA	100.4	112.6	124.4	127.9	132.2
EBIT	123.1	81.20	63.71	107.2	113.5
Pre-tax income	88.69	48.65	27.82	71.46	79.51
Net income	86.45	46.40	27.26	70.03	77.92
EPRA earnings	62.66	76.80	77.14	79.91	85.80
Cash flow (EUR M)	2017A	2018A	2019E	2020E	2021E
Net income before minorities	86.5	46.4	27.3	70.0	77.9
Depreciation and provisions	-22.7	31.4	60.7	20.7	18.7
Others/Uses of funds	-0.5	2.8	-0.1	-0.1	-0.1
Change in working capital	0	30.4	-30.3	0	0
Operating cash flow	65.5	113.2	58.1	92.0	98.1
Capital expenditure	-51.0	-222.4	-59.9	-33.8	-11.9
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	14.5	-109.2	-1.8	58.2	86.2
Dividends	-36.6	-55.2	-55.2	-55.2	-57.6
Equity changes & other nn op item	-0.4	-0.4	25.3	-6.1	-9.1
Net cash flow	-4.2	-48.7	-30.3	1.1	27.4
Balance sheet (EUR M)	2017A	2018A	2019E	2020E	2021E
Total fixed assets	2,228.2	2,383.6	2,382.9	2,396.1	2,389.5
Net working capital	56.4	26.0	56.3	56.3	56.3
Other items	-109.2	-31.5	-56.1	-56.3	-56.4
Net capital employed	2,175.4	2,378.1	2,383.1	2,396.2	2,389.4
Net debt/-cash	1,059.6	1,108.3	1,138.6	1,137.6	1,110.2
Minorities	0	0	0	0	0
Net equity	1,115.7	1,269.8	1,244.4	1,258.6	1,279.1
Stock market ratios (x)	2017A	2018A	2019E	2020E	2021E
Adj. P/E	10.3	10.2	9.0	8.6	8.1
P/CFPS	5.9	52.3	-20.7	14.0	11.7
P/BVPS	0.58	0.62	0.56	0.55	0.54
P/NAVPS	0.46	0.55	0.56	0.56	0.55
Payout (%)	47	119	202	82	77
Dividend yield (% ord)	6.3	7.1	8.0	8.3	8.6
FCF yield (%)	2.2	-14.0	-0.3	8.4	12.5
LTV (%)	47.6	45.8	47.8	47.5	46.5
D/EBIT	8.6	13.6	17.9	10.6	9.8
Profitability & financial ratios (%)	2017A	2018A	2019E	2020E	2021E
EBITDA margin	66.9	69.3	76.2	76.4	77.1
EBIT margin	82.0	50.0	39.0	64.0	66.2
Tax rate	NM	NM	NM	NM	NM
Net income margin	57.6	28.6	16.7	41.8	45.4
ROCE	5.7	3.4	2.7	4.5	4.7
ROE	7.9	3.9	2.2	5.6	6.1
Interest cover	-3.6	-2.5	-1.8	-3.0	-3.3
Debt/equity ratio	95.0	87.3	91.5	90.4	86.8
Growth (%)		2018A	2019E	2020E	2021E
Sales		8.2	0.4	2.6	2.4
EBITDA		12.1	10.5	2.8	3.4
EBIT		-34.1	-21.5	68.2	5.9
Pre-tax income		-45.1	-42.8	NM	11.3
EPRA earnings		76.8	77.1	79.9	85.8
NAV data	2017A	2018A	2019E	2020E	2021E
Properties and other assets MV	2,228.2	2,383.6	2,382.9	2,396.1	2,389.5
NAV	1,115.7	1,252.4	1,224.4	1,238.6	1,259.1

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

Company Snapshot

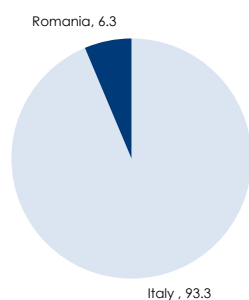
Company Description

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/superstores (with a surface area averaging 4,500-10,000 sqm and 3,000-4,500 respectively) and shopping malls (60/70 shops each on average). 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. Since April 2008 IGD added to its portfolio 14 malls and a building with offices in Romania. IGD's freehold properties market value amounted to EUR 2.41Bn at 31 December 2018.

Key data

Mkt price (EUR)	6.26	Free float (%)	46.7
No. of shares	110.3	Major shr	Coop Alleanza 3.0
52Wk range (EUR)	6.86/5.24	(%)	40.9
Reuters	IGD.MI	Bloomberg	IGD IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	1.8	-1M	1.6
-3M	8.5	-3M	0.7
-12M	6.1	-12M	-12.3

Sales breakdown by asset (%)



Key Risks

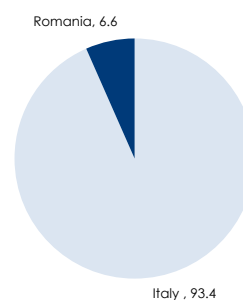
Company specific risks:

- The company's high domestic exposure, with a strong correlation to Italian country risk;
- Rising interest rates could affect the cost of debt on new financing;
- The exposure to the retail business to affect the top line in a slowdown in GDP.

Estimates vs. consensus

EUR M (Y/E Dec)	2018A	2019E	2019C	2020E	2020C	2021E	2021C
Sales	162.5	163.2	163.0	167.4	164.7	171.5	167.5
EBITDA	112.6	124.4	126.0	127.9	127.5	132.2	129.0
EBIT	81.20	63.71	75.90	107.2	126.5	113.5	140.0
Pre-tax income	48.65	27.82	49	71.46	80	79.51	97
EPRA Earnings	76.80	77.14	84	79.91	84	85.80	89
EPRA EPS (€)	0.70	0.70	0.76	0.72	0.78	0.78	0.81

GAV breakdown by asset (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 20/01/2020)

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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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)

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

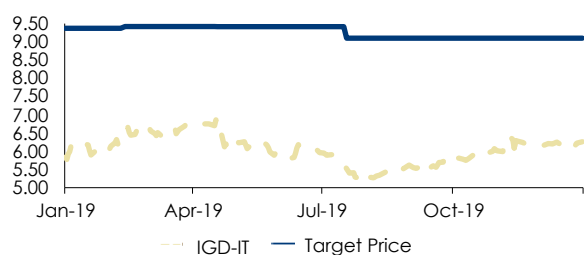
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Equity Rating Key (long-term horizon: 12M)

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)
07-Aug-19	BUY	9.1	5.5
08-May-19	BUY	9.4	6.8
04-Mar-19	BUY	9.4	6.4

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at November 2019)**

Number of companies considered: 115	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)	50	18	30	1	0
of which Intesa Sanpaolo's Clients (%) (*)	79	57	37	0	0

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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
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- Banca IMI acts as Specialist relative to securities issued by IGD

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