

Company Flash

IGD

Risks Progressively Weighing More

On the back of 2022 preliminary data and outlook release, we downgrade our rating on IGD to HOLD from Add. We see an increasing risk on the stock attributable to interest rates' evolution, with financial costs and portfolio's value looking more sensitive than expected to their dynamic. Despite operations' positive trend, also underpinned by apparently milder than initially anticipated economic slowdown, we see changed macroeconomic conditions and IGD's 2024 refinancing needs as stronger headwinds than operating performance resiliency. We share IGD's decision of retracing dividends' level in view of the uncertain outlook. Although attractive, we see dividend yields as an insufficient catalyst to support a stock re-rating in the short term compared to reassuring messages on macro-environment, interest rates' and financial structure's evolution.

2022 preliminary data and outlook update

Yesterday, IGD announced 2022 preliminary data and provided an update on 2023-24 outlook and targets. Despite confirming 2022 FFO guidance (+2/3% yoy), the company lowered 2022 DPS expectations between EUR 0.25 and EUR 0.30 (from EUR 0.35 distributed in 2021A and at least the same to be distributed in 2022) amid higher LTV ratio expected at YE22 (45.6% vs. 44.8% at YE21A), following negative portfolio fair value changes. As for the 2023-24 outlook, the company stated that targets on FFO and DPS do not appear anymore achievable at this time, due to deteriorated macroeconomic conditions and rising interest rates. With regards to operations, IGD foresees 2023 net rental income and EBITDA growing yoy on the back of positive trend seen in 2022, expected to continue in 2023.

Estimates revision

On the back of yesterday's statement, we revise our estimates by including portfolio's devaluations, higher financial costs and lower dividends' expectations. As a result, we maintain our 2022 expectations on net rental income, EBITDA and FFO unchanged, although we now expect a net loss of EUR 21M in the year (vs. a net income of EUR 64M previously assumed), amid higher financial charges and negative fair value changes, these also leading to a LTV of 45.6% in 2022E (vs. 44.4% previously expected), despite slightly improving net debt. We also cut our 2022E DPS expectations by 31% to EUR 0.275. In 2023E-24E, we reduce EBITDA, net income, FFO and DPS respectively by 3%, 33%, 9% and 20% on average, whereas LTV and EPRA NAV worsened by 3-4%/year and 7-8%/year, in a context of negligibly improving net debt vs. before.

Valuation

Following our estimates' revision, periodical WACC update (7.1% vs. 6.2% previously assumed, see our report of 9 August for full methodology) and 1-year valuation roll-forward, we **downgrade our rating on IGD to HOLD (from ADD)**, setting a **new target price of EUR 3.4/share (from EUR 4.3/share)**, implying 8% upside on yesterday's closing price.

IGD – Estimates revision (2022E-24E)

EUR M	2022E			2023E			2024E		
	New	Old	chg %	New	Old	chg %	New	old	chg %
EBITDA	102.2	102.2	0.0	110.0	112.7	-2.4	114.6	119.2	-3.9
Net income	-21.1	64.1	NM	46.1	71.1	-35.2	53.8	77.7	-30.8
Net Income adjusted	66.9	66.4	0.8	69.1	74.4	-7.2	68.4	77.7	-11.9
FFO adjusted	66.1	66.2	-0.2	68.0	74.0	-8.2	70.0	77.0	-9.1
DPS	0.275	0.400	-31.3	0.325	0.425	-23.5	0.375	0.450	-16.7
LTV (%)	45.6	44.4	2.7	45.4	43.9	3.4	44.5	42.8	3.8
EPRA NAV per share	10.41	11.16	-6.7	10.55	11.39	-7.3	10.69	11.65	-8.2

NM: not meaningful; Source: Intesa Sanpaolo Research estimates

See page 4 for full disclosure and analyst certification
Intesa Sanpaolo is Specialist to IGD

MID CORPORATE

27 January 2023: 12:43 CET
Date and time of production

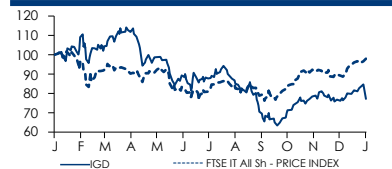
HOLD
(from ADD)

Target Price: EUR 3.4
(from EUR 4.3)

Italy/Real Estate
Update

MTA-STAR

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



IGD - Key Data

Price date (market close)	26/01/2023
Target price (EUR)	3.4
Target upside (%)	8.11
Market price (EUR)	3.15
Market cap (EUR M)	347.04
52Wk range (EUR)	4.65/2.59

Price performance %	1M	3M	12M
Absolute	0.5	8.3	-22.8
Rel. to FTSE IT All Sh	-8.4	-7.2	-21.2

Y/E Dec (EUR M)	FY21A	FY22E	FY23E
Revenues	152.0	144.9	152.9
EBITDA	106.8	102.2	110.0
EBIT	89.88	7.18	81.24
Net income	52.78	-21.12	46.06
EPRA EPS (EUR)	0.57	0.61	0.63
Net debt/-cash	987.0	972.8	970.2
Adj P/E (x)	6.8	5.2	5.0
EV/EBITDA (x)	13.3	12.9	12.0
EV/EBIT (x)	15.8	NM	16.2
Div ord yield (%)	9.0	8.7	10.3

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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27 January 2023: 12:50 CET
Date and time of first circulation

IGD – Key Data

Rating HOLD	Target price (EUR/sh) Ord 3.4		Mkt price (EUR/sh) Ord 3.15			Sector Real Estate
Values per share (EUR)	2019A	2020A	2021A	2022E	2023E	2024E
No. ordinary shares (M)	110.3	110.3	110.3	110.3	110.3	110.3
Market cap (EUR M)	665.94	424.60	429.30	347.04	347.04	347.04
Adj. EPS	0.692	0.574	0.571	0.606	0.626	0.620
CFPS	-0.56	-2.04	0.33	-1.05	0.16	0.30
BVPS	11.13	10.23	10.70	10.18	10.34	10.49
NAVPS	10.97	10.10	10.62	10.08	10.22	10.38
Dividend ord	0.228	0	0.350	0.275	0.325	0.375
Average Price	6.0	3.8	3.9	3.1	3.1	3.1
Income statement (EUR M)	2019A	2020A	2021A	2022E	2023E	2024E
Revenues	162.1	152.7	152.0	144.9	152.9	158.6
EBITDA	124.6	98.70	106.8	102.2	110.0	114.6
EBIT	50.30	-52.32	89.88	7.18	81.24	94.12
Pre-tax income	13.60	-88.59	55.78	-21.55	47.00	54.87
Net income	12.60	-74.26	52.78	-21.12	46.06	53.77
EPRA earnings	76.40	63.33	63.02	66.88	69.06	68.43
Cash flow (EUR M)	2019A	2020A	2021A	2022E	2023E	2024E
Net income before minorities	12.6	-74.3	52.8	-21.1	46.1	53.8
Depreciation and provisions	74.3	151.0	16.9	95.0	28.8	20.4
Others/Uses of funds	-1.5	0.1	-0.5	-0.1	-0.1	-0.1
Change in working capital	7.6	-12.0	5.3	16.3	5.3	5.3
Operating cash flow	93.9	50.5	77.5	89.6	81.0	80.5
Capital expenditure	-59.9	-18.3	-35.0	-35.0	-23.0	-20.0
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	34.0	32.2	42.5	54.6	58.0	60.5
Dividends	-55.2	-25.2	0	-38.6	-30.3	-35.9
Equity changes & other non op item	-6.5	6.6	-11.6	-7.0	-8.9	-7.4
Net cash flow	-54.3	7.2	168.4	14.2	2.6	19.9
Balance sheet (EUR M)	2019A	2020A	2021A	2022E	2023E	2024E
Total fixed assets	2,422.3	2,308.4	2,186.4	2,132.0	2,136.3	2,136.0
Net working capital	18.4	30.4	25.1	8.8	3.5	-1.8
Other items	-49.7	-54.4	-44.3	-45.0	-29.1	-26.4
Net capital employed	2,391.0	2,284.4	2,167.2	2,095.8	2,110.7	2,107.8
Net debt/-cash	1,162.6	1,155.5	987.0	972.8	970.2	950.3
Minorities	0	0	0	0	0	0
Net equity	1,228.4	1,128.9	1,180.2	1,123.0	1,140.4	1,157.5
Stock market ratios (x)	2019A	2020A	2021A	2022E	2023E	2024E
Adj. P/E	8.7	6.7	6.8	5.2	5.0	5.1
P/CFPS	-10.8	-1.9	12.0	-3.0	20.1	10.4
P/BVPS	0.54	0.38	0.36	0.31	0.30	0.30
P/NAVPS	0.29	0.31	0.30	0.31	0.31	0.30
Payout (%)	200	0	73	-144	78	77
Dividend yield (% ord)	3.8	0	9.0	8.7	10.3	11.9
FCF yield (%)	5.1	7.6	9.9	15.7	16.7	17.4
LTV (%)	47.6	49.9	44.8	45.6	45.4	44.5
D/EBIT	23.1	Neg.	11.0	135.5	11.9	10.1
Profitability & financial ratios (%)	2019A	2020A	2021A	2022E	2023E	2024E
EBITDA margin	76.9	64.6	70.3	70.5	71.9	72.2
EBIT margin	31.0	-34.3	59.1	5.0	53.1	59.3
Tax rate	NM	NM	NM	NM	NM	NM
Net income margin	7.8	-48.6	34.7	-14.6	30.1	33.9
ROCE	2.1	-2.3	4.1	0.3	3.8	4.5
ROE	1.0	-6.3	4.6	-1.8	4.1	4.7
Interest cover	-1.4	1.4	-2.6	-0.2	-2.4	-2.4
Debt/equity ratio	94.6	102.4	83.6	86.6	85.1	82.1
Growth (%)		2020A	2021A	2022E	2023E	2024E
Sales		-5.8	-0.4	-4.7	5.6	3.7
EBITDA		-20.8	8.2	-4.3	7.7	4.1
EBIT		NM	NM	-92.0	NM	15.9
Pre-tax income		NM	NM	NM	NM	16.7
EPRA earnings		63.3	63.0	66.9	69.1	68.4
NAV data	2019A	2020A	2021A	2022E	2023E	2024E
Properties and other assets MV	2,422.3	2,308.4	2,186.4	2,132.0	2,136.3	2,136.0
NAV	1,211.0	1,114.5	1,171.8	1,112.0	1,127.8	1,145.7

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

Immobiliare Grande Distribuzione SIQ S.p.A. is one of the main players in Italy's retail real estate market: it develops and manages shopping centres throughout the country and has a significant presence in Romanian retail distribution. Listed on the STAR Segment of the Italian Stock Exchange, IGD was the first SIQ (Società di Investimento Immobiliare Quotata or real estate investment trust) in Italy. IGD has a real estate portfolio valued at circa EUR 2,140.5M at 31 December 2021, comprised of, in Italy, 19 hypermarkets and supermarkets, 27 shopping malls and retail parks, 1 plot of land for development, 1 property held for trading and 6 other real estate properties. Following the acquisition of the company Winmark Magazine SA in 2008 14 shopping centres and an office building, found in 13 different Romanian cities, were added to the portfolio. An extensive domestic presence, a solid financial structure, the ability to plan, monitor and manage all phases of a centre's life cycle, leadership in the retail real estate sector: these qualities summarise IGD's strong points.

Key data

Mkt price (EUR)	3.15	Free float (%)	49.1
No. of shares	110.3	Major shr	Coop Alleanza 3.0
52Wk range (EUR)	4.65/2.59	(%)	40.9
Reuters	IGD.MI	Bloomberg	IGD IM
Performance (%)	Absolute	Rel. FTSE IT All Sh	
-1M	0.5	-1M	-8.4
-3M	8.3	-3M	-7.2
-12M	-22.8	-12M	-21.2

Key Risks

Company specific risks:

- The company's high domestic exposure, with a strong correlation to Italian country risk;
- The exposure to the retail business potentially affecting rents in a slowdown of GDP.

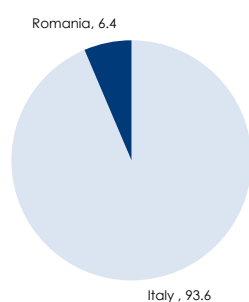
Sector generic risks:

- Rising Interest rates' dynamic;
- Vacancies;
- Tenants' credit risk.

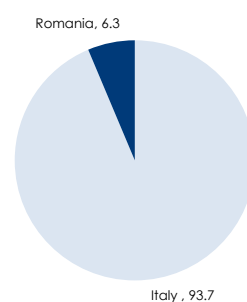
Estimates vs. consensus

EUR M (Y/E Dec)	2021A	2022E	2022C	2023E	2023C	2024E	2024C
Sales	152.0	144.9	137.3	152.9	141.1	158.6	143.0
EBITDA	106.8	102.2	98.75	110.0	104.3	114.6	106.0
EBIT	89.88	7.18	99.00	81.24	103.0	94.12	105.0
Pre-tax income	55.78	-21.55	58.50	47.00	62.25	54.87	74.95
EPRA Earnings	63.02	66.88	67.05	69.06	70.12	68.43	72.18
EPRA EPS (€)	0.57	0.61	0.60	0.63	0.65	0.62	0.67

Sales breakdown by asset (%)



GAV breakdown by asset (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 26/01/2023)

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 eligible for listing have revenues below 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 around EUR 1Bn.

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Valuation methodology (long-term horizon: 12M)

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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)

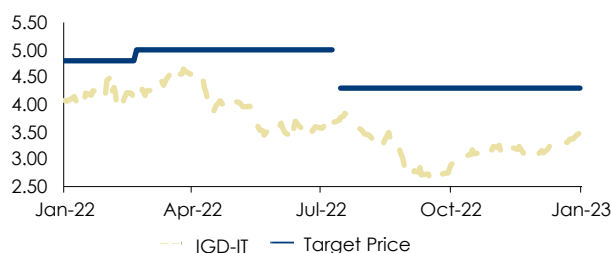
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Equity Rating Key (long-term horizon: 12M)

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.
TENDER SHARES	We advise investors to tender the shares to the offer.
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->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
27-Jan-23	Under Review	Under Review	3.1
09-Aug-22	ADD	4.3	3.8
05-Aug-22	ADD	Under Review	3.7
18-Mar-22	ADD	5.0	4.3

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at January 2023)**

Number of companies considered: 129	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	66	16	18	0	0
of which Intesa Sanpaolo's Clients (%)**	79	29	52	0	0

* Last rating refers to rating as at end of the previous quarter; ** 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)

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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
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

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