

IGD

Resolution for a New Bond up to EUR 400M

On the back of the recent announcement of a potential new bond offered in exchange to current bondholders and consent solicitation to align the current bond conditions to the new one, we reiterate our neutral view on the stock. We take a wait-and-see stance while waiting for the result of the just announced deal (to be released between 10 and 14 November).

Resolution to issue a new senior bond up to EUR 400M at market conditions

IGD's BoD has resolved to issue a step up, non-subordinated and non-convertible senior bond for up to EUR 400M to be issued by December 2023 at market conditions (i.e. maturity date 17 May 2027; an around 8.5% yield, incorporating a redemption premium based on the Memorandum). At the same time, BoD resolved to launch: 1) an exchange offer on the bond due 28 November 2024; and 2) a tender offer on the existing bond, provided the reinvestment in the purchase of new notes. The exchange offer and the tender offer are part of a broader transaction that includes a consent solicitation process addressed to the bondholders, for which an extraordinary meeting is called on first and single call on 14 November 2023, to propose certain amendments to the terms and conditions, specifically on the maturity, coupon and redemption options, in order to align them to those of the new bond.

The exchange offer, tender offer and consent solicitation period started on 5 October 2023 and will end on 10 November 2023. Holders of existing notes were further incentivised adhering to the offer by 13 October 2023, since the notes could have been traded in exchange of: 1) new notes for 90% of nominal value of the existing bond exchanged; and 2) a cash amount for the residual 10%. Success rate will be published at the end of the offer. Worth to note that the majority required at the meeting to pass the extraordinary resolution shall be the higher of votes cast by not less than 50% of the nominal amount of the Existing Notes for the time being outstanding, and by not less than two-thirds of the Existing Notes represented at the Meeting. If passed, the Extraordinary Resolution shall be binding on all Existing Noteholders of the Existing Notes. Note that bondholders adhering to the offer would be considered as voting in favour at the bondholders meeting of 14 November.

New bond additional clauses formally stating deleveraging commitment

As indicated within the Memorandum, terms and conditions of the new bond include, for the entire duration of the Bond, the following binding conditions: a) the blocking of the dividend distribution exceeding the necessary to comply with the rules applicable as a listed real estate investment trust (REIT); and b) a mandatory redemption of the new notes in case of asset sale, using the net proceeds from the potential disposals (not foreseen within the amendments for the existing bond), net of any potential capital gain related mandatory distribution.

Possible scenarios depending on final results

Our current estimates (which do not yet incorporate the potential new/amended bond conditions) embed EUR 61.1M net financial charges for FY24E and EUR 60.7M for FY25E. In case the offer would be approved, we see our numbers likely underestimating IGD's all-in cost of debt in light of the 3.22% average cost of debt of 1H23 and the new bond disclosed conditions (step up coupon from 5.5% for the period ending on 17 May 2024 to 8.5% for the period ending 17 May 2027).

We see the positive outcome of the transaction as a necessary step to meet the financing needs of IGD that would narrow its short-term risk profile. Conversely, a possible failure of the consent solicitation process would put pressure on the company due to its refinancing necessities (Bond would remain at current conditions, i.e. 2.125% rate, maturity November 2024), which would require an alternative transaction in 2024, assuming no disposals, in a context with higher interest rates.

20 October 2023: 12:30 CET
Date and time of production

HOLD

Target Price: EUR 2.6

Italy/Real Estate
Company Update

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



IGD - Key Data

Price date (market close)	11/10/2023
Target price (€)	2.6
Target upside (%)	21.78
Market price (€)	2.14
Market cap (EUR M)	235.59
52Wk range (€)	3.48/2.04

Y/E Dec (EUR M)	FY22A	FY23E	FY24E
Revenues	152.0	153.7	152.6
EBITDA	103.2	104.1	108.2
EBIT	7.69	-17.40	87.68
Net income	-22.34	-67.30	26.98
EPRA EPS (EUR)	0.58	0.44	0.38
Net debt/-cash	976.9	955.7	928.2
Adj P/E (x)	6.3	4.9	5.7
EV/EBITDA (x)	13.4	11.4	10.8
EV/EBIT (x)	NM	Neg.	13.3
Div ord yield (%)	8.2	7.0	9.4

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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Valuation and Key Risks

Valuation basis

Our EUR 2.6/sh. TP is obtained based on the average equity value derived from DCF, DDM (with a 10.5% cost of equity and a 7.24% WACC) and multiples-based methodologies based on P/NAV.

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;
- Refinancing needs and relatively high-LTV level.

Sector generic risks:

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

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 centers 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.

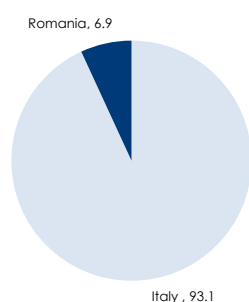
Key data

Mkt price (€)	2.14	Free float (%)	49.1
No. of shares	110.3	Major shr	Coop Alleanza 3.0
52Wk range (€)	3.48/2.04	(%)	40.9
Reuters	IGD.MI	Bloomberg	IGD IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-5.1	-1M	-4.4
-3M	-12.7	-3M	-13.1
-12M	-19.4	-12M	-40.0

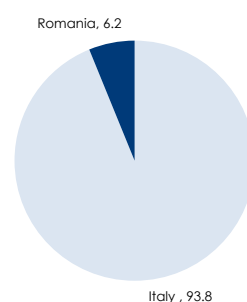
Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Sales	152.0	153.7	153.7	152.6	152.6	154.3	154.3
EBITDA	103.2	104.1	103.6	108.2	106.6	111.0	108.5
EBIT	7.69	-17.40	102.0	87.68	105.0	93.70	106.0
Pre-tax income	-22.34	-66.80	54.00	27.53	38.50	34.00	41.50
EPRA Earnings	64.16	48.38	54.00	41.67	50.00	44.82	51.41
EPRA EPS (€)	0.58	0.44	0.49	0.38	0.41	0.41	0.42

Sales breakdown by asset (%)



GAV breakdown by asset (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 11/10/2023)

IGD – Key Data

Rating HOLD	Target price (€/sh) Ord 2.6		Mkt price (€/sh) Ord 2.13			Sector Real Estate
Values per share (EUR)	2020A	2021A	2022A	2023E	2024E	2025E
No. ordinary shares (M)	110.3	110.3	110.3	110.3	110.3	110.3
Market cap (EUR M)	424.60	429.30	404.64	235.59	235.59	235.59
Adj. EPS	0.574	0.571	0.581	0.438	0.378	0.406
CFPS	-2.04	0.33	-1.07	-1.71	0.06	0.15
BVPS	10.23	10.70	10.16	9.29	9.52	9.83
NAVPS	10.10	10.62	10.17	9.26	9.35	9.45
Dividend ord	0	0.350	0.300	0.150	0.200	0.300
Average Price	3.8	3.9	3.7	2.1	2.1	2.1
Income statement (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	152.7	152.0	152.0	153.7	152.6	154.3
EBITDA	98.70	106.8	103.2	104.1	108.2	111.0
EBIT	-52.32	89.88	7.69	-17.40	87.68	93.70
Pre-tax income	-88.59	55.78	-22.34	-66.80	27.53	34.00
Net income	-74.26	52.78	-22.34	-67.30	26.98	33.32
EPRA earnings	63.33	63.02	64.16	48.38	41.67	44.82
Cash flow (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net income before minorities	-74.3	52.8	-22.3	-67.3	27.0	33.3
Depreciation and provisions	151.0	16.9	95.5	121.5	20.5	17.3
Others/Uses of funds	0.1	-0.5	0.1	-0.1	-0.1	-0.1
Change in working capital	-12.0	5.3	12.4	0	15.4	5.2
Operating cash flow	50.5	77.5	85.6	54.6	63.3	56.3
Capital expenditure	-18.3	-35.0	-35.0	-23.0	-20.0	-11.5
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	115.0	0	0	0	0
Free cash flow	32.2	157.5	50.6	31.6	43.3	44.8
Dividends	-25.2	0	-38.6	-33.1	-16.6	-22.1
Equity changes & other non op item	6.6	-11.6	-92.7	-6.1	-6.5	-6.7
Net cash flow	7.2	168.4	10.1	21.3	27.5	20.9
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Total fixed assets	2,308.4	2,186.4	2,117.5	2,009.2	2,003.8	1,998.2
Net working capital	30.4	25.1	12.8	12.8	-2.6	-7.8
Other items	-54.4	-44.3	-31.7	-40.8	-39.2	-37.0
Net capital employed	2,284.4	2,167.2	2,098.5	1,981.2	1,962.0	1,953.4
Net debt/-cash	1,155.5	987.0	976.9	955.7	928.2	907.2
Minorities	0	0	0	0	0	0
Net equity	1,128.9	1,180.2	1,121.6	1,025.5	1,050.3	1,084.7
Stock market ratios (x)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	6.7	6.8	6.3	4.9	5.7	5.3
P/CFPS	-1.9	12.0	-3.4	-1.2	36.2	14.7
P/BVPS	0.38	0.36	0.36	0.23	0.22	0.22
P/NAVPS	0.24	0.22	0.23	0.26	0.25	0.25
Payout (%)	0	73	-148	-25	82	99
Dividend yield (% ord)	0	9.0	8.2	7.0	9.4	14.1
FCF yield (%)	7.6	36.7	12.5	13.4	18.4	19.0
LTV (%)	49.9	44.8	45.7	47.6	46.3	45.4
D/EBIT	Neg.	11.0	127.0	Neg.	10.6	9.7
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
EBITDA margin	64.6	70.3	67.9	67.7	70.9	71.9
EBIT margin	-34.3	59.1	5.1	-11.3	57.4	60.7
Tax rate	NM	NM	NM	0.7	NM	NM
Net income margin	-48.6	34.7	-14.7	-43.8	17.7	21.6
ROCE	-2.3	4.1	0.4	-0.9	4.5	4.8
ROE	-6.3	4.6	-1.9	-6.3	2.6	3.1
Interest cover	1.4	-2.6	-0.3	0.4	-1.5	-1.6
Debt/equity ratio	102.4	83.6	87.1	93.2	88.4	83.6
Growth (%)		2021A	2022A	2023E	2024E	2025E
Sales		-0.4	-0.0	1.2	-0.7	1.1
EBITDA		8.2	-3.4	0.9	3.9	2.6
EBIT		NM	-91.4	NM	NM	6.9
Pre-tax income		NM	NM	NM	NM	23.5
EPRA earnings		63.0	64.2	48.4	41.7	44.8
NAV data	2020A	2021A	2022A	2023E	2024E	2025E
Properties and other assets MV	2,308.4	2,186.4	2,117.5	2,009.2	2,003.8	1,998.2
NAV	1,114.5	1,171.8	1,121.8	1,021.4	1,031.8	1,043.1

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

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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 of around EUR 1Bn.

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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.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

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

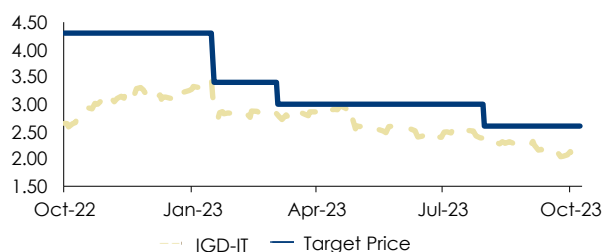
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Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
HOLD	If the target price is in a range 10% below or 10% above the market price.
SELL	If the target price is 10% lower than the market price.
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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->. Intesa Sanpaolo changed its long-term 12M horizon rating key on 3 April 2023; please refer to the ISP Equity Rating Reconciliation Table for further details at the following link: <https://group.intesasanpaolo.com/it/research/equity-credit-research>.

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

Date	Rating	TP (EUR)	Mkt Price (EUR)
10-Aug-23	HOLD	2.6	2.4
14-Mar-23	HOLD	3.0	2.8
27-Jan-23	HOLD	3.4	3.0

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

Number of companies considered: 132	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	76	24	0
of which Intesa Sanpaolo's Clients (%)**	70	53	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

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- 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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