

ABITARE IN

Sector: Consumers

OUTPERFORM

Price: Eu4.40 – Target: Eu7.30

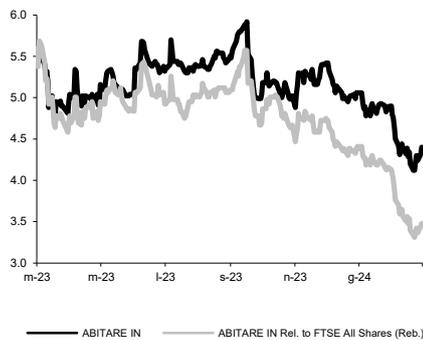
1Q Profit Up despite Permit Delays

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 7.80 to 7.30		
	2024E	2025E	2026E
Chg in Adj EPS	-39.0%	-17.9%	-4.8%

ABITARE IN - 12M Performance



Stock Data

Reuters code:	ABIT.MI		
Bloomberg code:	ABT IM		
Performance	1M	3M	12M
Absolute	-10.2%	-18.8%	-22.8%
Relative	-17.1%	-29.9%	-44.6%
12M (H/L)	5.92/4.12		
3M Average Volume (th):	48.42		

Shareholder Data

No. of Ord shares (mn):	27
Total no. of shares (mn):	27
Mkt Cap Ord (Eu mn):	117
Total Mkt Cap (Eu mn):	117
Mkt Float - Ord (Eu mn):	48
Mkt Float (in %):	41.5%
Main Shareholder:	
Gozzini Luigi Francesco	22.3%

Balance Sheet Data

Book Value (Eu mn):	109
BVPS (Eu):	4.24
P/BV:	1.0
Net Financial Position (Eu mn):	-80
Enterprise Value (Eu mn):	197

■ **1Q still penalized by lengthening of authorization processes.** Bearing in mind that quarterly results have scant significance in this business, the company reported 1Q results that shows the effect of the lengthening timescale for obtaining permits, which is now more evident given that the Milano City Village, Palazzo Naviglio and Trilogy Towers projects have been delivered. Indeed, production progress was Eu14.0mn, a contraction on Eu26.4mn last year. Despite this, pre-tax profit grew to Eu3.1mn vs Eu2.2mn last year, benefitting from lower financial charges due to a significant reduction of debt thanks to the delivery of apartments. Net debt as at end-December was Eu49.5mn, up circa Eu11mn on end-September, substantially due to dividend payments approved in the previous financial year.

■ **Diversification key to navigating approval delays.** Management has highlighted that in the initial quarter of the fiscal year it continues to grapple with protracted approval times, which have now evolved into a systematic practice in Milan. While work at ongoing construction sites is advancing, approval of projects comprising more than 700 apartments remains pending. This extended approval process is creating a bottleneck in new home construction in Milan, causing noteworthy delays for developers and posing a threat to the construction industry. This situation is further disrupting the demand-offer dynamics in the Milan market. The existing shortage of energy-efficient homes in Milan is being intensified by these delays, resulting in elevated prices for new build and posing challenges for families. In this challenging scenario, AbitareIn remains resilient, maintaining a robust position that enables it to seize market opportunities as they emerge and diversify its project portfolio. The company's proactive approach in adapting its business model is evident in its foray into the Rome market, collaboration with large real estate portfolio owners, and exploration of innovative products that involve the recovery of existing properties. These strategic initiatives should not only shorten project timelines but also serve as tangible evidence of AbitareIn's commitment to reducing environmental impact by promoting energy efficiency and sustainability throughout the construction process.

■ **Estimates.** We have revised our estimates to reflect the continuing slowdown in progress on real estate developments due to the sluggish release of permits by the authorities, substantially shifting the expected deliveries by 6 months. While on the one hand this has a clear impact on the P&L, on the other we have lowered net debt for 2024 to reflect reduced absorption of working capital.

■ **Outperform, TP Eu7.30.** We think the company has everything in place for significant growth in the next years thanks to a robust pipeline (currently 243k commercial sqm, or 2,632 standard housing units), new business segments (servicing, property development in the Rome market) and thanks to a core market where the provision of new buildings is insufficient to satisfy final customer demand and is therefore driving up prices for new homes. A reduction of interest rates in the second part of 2024 would, in our view, be a positive catalyst for the company, making mortgages cheaper for customers. We are reducing our TP from Eu7.80 to Eu7.30 as we assume a slower development of current pipeline.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	122	116	108	153	164
EBITDA Adj (Eu mn)	23	35	26	38	41
Net Profit Adj (Eu mn)	13	25	14	22	26
EPS New Adj (Eu)	0.494	0.953	0.541	0.815	0.965
EPS Old Adj (Eu)	0.494	0.953	0.886	0.993	1.014
DPS (Eu)	0.000	0.420	0.158	0.240	0.285
EV/EBITDA Adj	12.1	5.2	7.6	5.1	3.6
EV/EBIT Adj	13.0	5.6	8.2	5.5	3.9
P/E Adj	8.9	4.6	8.1	5.4	4.6
Div. Yield	0.0%	9.6%	3.6%	5.5%	6.5%
Net Debt/EBITDA Adj	5.0	1.1	3.1	2.0	0.8

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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