

# IGD

Sector: Holdings &amp; RE

# NEUTRAL

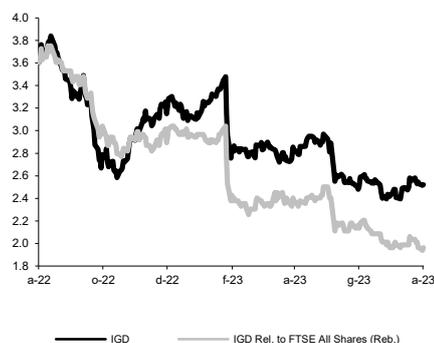
Price: Eu2.52 - Target: Eu3.20

## Positive FFO Performance But Negative Portfolio Evolution

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 3.50 to 3.20		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.3%	0.7%

### IGD - 12M Performance



Stock Data			
Reuters code:	IGD.MI		
Bloomberg code:	IGD IM		
Performance	1M	3M	12M
Absolute	4.1%	-15.2%	-30.1%
Relative	0.6%	-22.4%	-57.8%
12M (H/L)	3.84/2.40		
3M Average Volume (th):	210.42		

Shareholder Data	
No. of Ord shares (mn):	110
Total no. of shares (mn):	110
Mkt Cap Ord (Eu mn):	278
Total Mkt Cap (Eu mn):	278
Mkt Float - Ord (Eu mn):	124
Mkt Float (in %):	44.7%
Main Shareholder:	
Coop Alleanza 3.0	40.9%

Balance Sheet Data	
Book Value (Eu mn):	1,110
BVPS (Eu):	10.06
P/BV:	0.3
Net Debt (Eu mn):	-974
NAV (Eu mn)	1,072

■ **2Q23 FFO slightly above expectations.** Yesterday IGD reported 2Q23 FFO that was slightly ahead of our expectations, while NAVps ended up well below estimates driven by higher portfolio write-downs. Specifically, total revenues closed at Eu38.6mn (+3% YoY and 4% below expectations due to lower trading revenues), EBITDA at Eu26.9mn (+6% YoY and 1% above estimates), the bottom line ended in the red to the tune of Eu62mn, negatively affected by Eu80mn of write-downs to the group's portfolio valuation (Eu38mn expected) while FFO closed at Eu15.1mn (-11% YoY and 6% above exp.). On the balance sheet the NFP came to Eu982mn (vs. Eu985mn), while NAVps closed at Eu9.54, some 3.5% below expectations (Eu9.9ps) and down 7% vs. the value at YE22.

■ **Portfolio valuation revised downwards.** IGD's total portfolio has been valued at Eu2.05bn (excluding equity investments and leasehold properties) which represents a 3.64% reduction vs. FY22 levels; the valuation of shopping malls was down 4.1% YoY, with a gross initial yield of 7.50%, up from 6.97% at YE22, while the valuation of hypermarkets was down just 0.6% YoY, with a gross initial yield of 6.71%, up from 6.41% at YE22. There was a 1.14% decline in Romania with a gross initial yield of 8.18% (from 7.99%).

■ **2023 guidance:** management has adjusted its 2023 FFO guidance upwards from around Eu53mn (a drop of 21% YoY) to Eu54-55mn (-18/20% YoY). This estimate clearly does not include the economic impact stemming from any refinancing transactions or disposals that could be completed in the second half of 2023.

■ **Update to estimates and target price.** We are leaving our 2023 FFO unchanged and now stand a touch above the high end of the guidance range. At the same time, we are lowering 2023-2024 NAV by 8% on average on the back of more cautious assumptions for the portfolio valuation. We have also cut our FY23 DPS estimate to Eu0.21 (from Eu0.31 previously) a level which represents a 31% drop vs 2022 overall levels but is in line with the 2022 payout when excluding the Eu0.09 related to the 2021 assets disposal. We are reducing our target price from Eu3.50 to Eu3.20, still based on a mix of NAV, FFO and DCF methodologies.

■ **NEUTRAL confirmed, target Eu3.2 (from Eu3.50).** Over the last few months, stock performance has suffered from much higher interest rates and refinancing risks despite key operating metrics continuing to improve. At company level, we believe the focus over the next few months will be on refinancing and newsflow on potential disposals, although stock performance will also be driven by macro factors such as the direction of interest rates and the level of the BTP-Bund spread. The stock is currently trading at 5.3x 2023-2024 FFO (vs. a historic low of 5.0x), at a 75% discount to its 1-Y fwd. NAV (historic record: 80%) and at a 2023 DY of 8.2%, admittedly a pretty attractive valuation; we nevertheless confirm our NEUTRAL rating as we believe that in the short term the volatility of sovereign rates/spreads could continue and be a headwind for the stock. As the end of the year approaches, news of potential disposals could represent a positive catalyst.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
EBIT Adj (Eu mn)	106	102	105	111	114
Net Profit Adj (Eu mn)	61	67	56	50	58
EPS New Adj (Eu)	0.557	0.609	0.504	0.452	0.523
EPS Old Adj (Eu)	0.557	0.609	0.504	0.451	0.519
DPS (Eu)	0.350	0.300	0.207	0.207	0.227
NAVPS (Eu)	10.842	10.277	9.714	9.925	10.338
P/NAVPS	0.2	0.2	0.3	0.3	0.2
P/E Adj	4.5	4.1	5.0	5.6	4.8
Div. Yield	13.9%	11.9%	8.2%	8.2%	9.0%
Net Debt/EBITDA Adj	9.2	9.5	9.2	8.5	8.1