

IGD

Sector: Holdings & RE

NEUTRAL

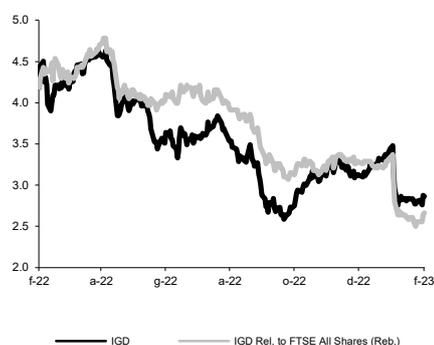
Price: Eu2.87 - Target: Eu3.50

Attractive Valuation but Macro Still Too Uncertain

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| Stock Rating | | | |
|--------------------|-------------------|--------|--------|
| Rating: | Unchanged | | |
| Target Price (Eu): | from 4.50 to 3.50 | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | -21.1% | -36.0% | -31.0% |

IGD - 12M Performance



| Stock Data | | | |
|-------------------------|-----------|--------|--------|
| Reuters code: | IGD.MI | | |
| Bloomberg code: | IGD IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | -17.2% | -10.3% | -31.5% |
| Relative | -21.3% | -19.6% | -39.3% |
| 12M (H/L) | 4.65/2.59 | | |
| 3M Average Volume (th): | 333.01 | | |

| Shareholder Data | |
|---------------------------|-------|
| No. of Ord shares (mn): | 110 |
| Total no. of shares (mn): | 110 |
| Mkt Cap Ord (Eu mn): | 316 |
| Total Mkt Cap (Eu mn): | 316 |
| Mkt Float - Ord (Eu mn): | 141 |
| Mkt Float (in %): | 44.7% |
| Main Shareholder: | |
| Coop Alleanza 3.0 | 40.9% |

| Balance Sheet Data | |
|---------------------|-------|
| Book Value (Eu mn): | 1,189 |
| BVPS (Eu): | 10.78 |
| P/BV: | 0.3 |
| Net Debt (Eu mn): | -975 |
| NAV (Eu mn) | 1,167 |

- FY22 results broadly in line, dividend proposal above expectations.** Yesterday IGD reported final FY22 results following the release of preliminary FFO and net debt figures at end-January. Total revenues closed at Eu152mn, EBITDA at Eu102mn, the bottom line at a Eu24mn loss, FFO at Eu66mn, net debt at Eu973mn, and NAVps at Eu10.8. Importantly, the Board proposed a DPS of Eu0.30, including Eu10mn from the reserves that were freed up by the 2021 assets disposal.
- Conference call feedback.** Portfolio valuations: regarding the valuation of the portfolio in 1H23, management's opinion is that it would be positive enough to confirm the end-2022 figure; Leverage: LTV target still 40-43% and could be partly achieved through disposals (Eu180-200mn according to plan targets); talks in progress on non-core Italian assets and the Romanian portfolio but no exclusives at present; Dividend: management has given no official guidance on 2023 DPS but with a dividend similar to 2022 sees maintenance or even a slight reduction of the NFP (ample available reserves); Capital structure: management sees no need for a capital raise.
- Refinancing of 2024 maturities still the key headwind.** In 2023, debt maturities are limited to ca. Eu70mn, while in 2024 refinancing needs stand at ca. Eu550mn, which is the key headwind for the company given the current level of interest rates. During the call, management commented that a secured 5-year bond for Eu225-250mn is in the process of finalisation and is expected to be closed as soon as possible (at the latest by end-1H23), while for the Eu400mn bond maturing 2024 it would like to go through the market. We estimate that at present the cost for the company of unsecured debt may not be far off 7% (clearly depending on the tenor).
- Update to estimates and target price.** We are revising 2023-2024 FFO estimates downward by 27% on average on the back of: 1) higher discounts to tenants that partly counterbalance the indexations from inflation; 2) higher financial charges linked to higher cost of variable debt (Euribor is up 250bps since mid-2022) and expected refinancing rates for the Eu550mn debt maturing in 2024. Our 2023-2024 NAV is reduced by 7% on average, mostly on the back of the significant portfolio fair value adjustment that took place in FY22 (-2.8% YoY or -4.4% YoY including CapEx not recognized in the valuations). The target price is reduced to Eu3.5 (from Eu4.5), also on the back of the higher risk-free rate used in our DCF (valuation still based on a mix of NAV, FFO and DCF methodologies).
- NEUTRAL, target Eu3.50 (from Eu4.50).** Over the last few months, the stock performance has suffered from much higher interest rates and refinancing risks despite key operating metrics continuing to improve. We believe the focus over the next few months will be on refinancing and newsflow on potential disposals, although the main stock performance driver is likely to remain the direction of interest rates and the level of the BTP-Bund spread. The stock is currently trading at 6.0x 2023-2024 FFO (5.5x ex-dvd and vs a historic low of 5.0x), at a 73% discount to its 1Y fwd NAV (76% ex-dvd, historic record: 80%) and at a 10.8% 2023 DY (12% ex-dvd), admittedly a pretty attractive valuation; nevertheless, we confirm our Neutral rating as we believe that in the ST tensions on sovereign rates/spread could continue and be a headwind for the stock.

| 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 | 0.449 | 0.522 |
| EPS Old Adj (Eu) | 0.574 | 0.610 | 0.639 | 0.701 | 0.757 |
| DPS (Eu) | 0.350 | 0.300 | 0.309 | 0.318 | 0.328 |
| NAVPS (Eu) | 10.842 | 10.277 | 10.572 | 10.865 | 11.301 |
| P/NAVPS | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| P/E Adj | 5.1 | 4.7 | 5.7 | 6.4 | 5.5 |
| Div. Yield | 12.2% | 10.5% | 10.8% | 11.1% | 11.4% |
| Net Debt/EBITDA Adj | 9.2 | 9.5 | 9.2 | 8.7 | 8.3 |