

# IGD

Sector: Holdings &amp; RE

# OUTPERFORM

Price: Eu1.69 - Target: Eu2.30

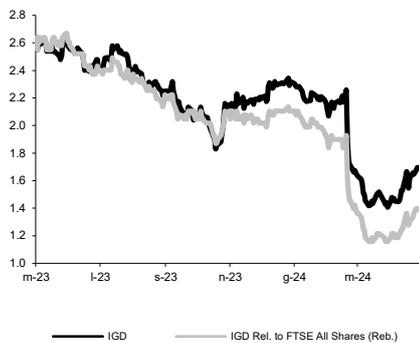
## Not Out of The Woods Yet, but Definitely Worth a Look

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### Stock Rating

<b>Rating:</b>	from NEUTRAL to OUTPERFORM		
<b>Target Price (Eu):</b>	from 3.20 to 2.30		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	-30.2%	-39.7%	

### IGD - 12M Performance



### Stock Data

Reuters code:	IGD.MI		
Bloomberg code:	IGD IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	20.1%	-21.7%	-41.6%
Relative	19.3%	-31.8%	-65.2%
12M (H/L)	2.64/1.41		
3M Average Volume (th):	578.20		

### Shareholder Data

No. of Ord shares (mn):	110
Total no. of shares (mn):	110
Mkt Cap Ord (Eu mn):	186
Total Mkt Cap (Eu mn):	186
Mkt Float - Ord (Eu mn):	83
Mkt Float (in %):	44.7%
Main Shareholder:	
Coop Alleanza 3.0	40.9%

### Balance Sheet Data

Book Value (Eu mn):	985
BVPS (Eu):	8.93
P/BV:	0.2
Net Debt (Eu mn):	-801
NAV (Eu mn)	1,017

- A stock in an unloved sector that could be worth a look:** IGD is coming off years of very negative performance as real estate has ranked among the least loved sectors (covid-19 + int. rates) and as the company had to face a very steep wall of debt refinancing in 2023. Still, group's operating performance has remained positive and a number of actions have put the group in a position where there are no significant debt maturities for the next 36 months; although a rebound in profitability might take more than a quarter or two, we think that over the medium term the value currently hidden could re-emerge and that the current valuation provides an interesting risk-reward balance. Furthermore, the new perspective brought by new CEO Roberto Zoia (previously Head of Asset Development and Management at IGD) and the renewed commitment by the company's main shareholder could be additional positive factors, in our view.
- Cost of debt still an issue and will need to be managed...** Thanks to the deal concluded last November through which IGD refinanced the Eu400mn bond due November 2024 (7% coupon and 8.5% average yield) and to other liability management transactions, there are now no large debt maturities for the next 3 years. Admittedly, 2027 will represent a new debt wall (almost Eu600mn of debt maturing) but management now has time to focus on the issue by also looking into potential new disposals (e.g. the Romanian portfolio and other non-core assets).
- ... but operating performance remains solid.** Regarding the Italian portfolio, in 2023 shopping mall operators saw turnover rise +4.3% YoY and it was a similar trend for visitor numbers. Sales rose, including compared to 2019 (+6.2%), despite visitor numbers not recovering completely to pre-pandemic levels. Food retailing anchors (hyper- and supermarkets) grew compared to both 2022 (+3.9%) and 2019 (+1.6%). Altogether, these businesses enabled confirmation of a high occupancy rate at 95.3%.
- RE portfolio now at an implied yield of ca. 12%.** As at year-end 2023, real estate assets reached a market value of Eu1.97bn, down 5.4% YoY and from which Eu250mn must be subtracted for recent disposals. The Net Yield is 6.0% for the Italian portfolio (6.4% topped-up) while the figure for the Romanian portfolio is 6.7% (6.9% topped-up). Nevertheless, at stock market prices we estimate an implicit yield of ca. 12%. In our view the portfolio is well managed and has seen significant refurbishment capex over the past few years. We understand that existing contract have limited or no downside and that the overall cost/occupancy stands at ca. 12%, a reasonable level.
- We move to Outperform (TP Eu2.30) on improved risk-reward.** Despite the significant amount of work still to be done to lower the cost of debt and the low dividend visibility for the short term, we think that the current valuation amounts to an interesting entry point also considering IGD's reasonable leverage (ca. 44% LTV) and reasonable expectations of a soft landing for the European economy. The direction of travel for interest rates remains the key driver but new management seems very committed with its focus on disposals and on improving vacancy (a new business plan is expected before year end). The stock is currently trading at 5.4x 1YFWD FFO (vs a historic low of 5.0x), a 82% discount to its NAV 1Y Fwd (all-time record is an 85% discount), admittedly a pretty undemanding valuation. In case of no portfolio write-downs in 2024 the group could go back paying dividend earlier than we currently expect.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
EBIT Adj (Eu mn)	102	106	98	97	99
Net Profit Adj (Eu mn)	67	55	35	35	36
EPS New Adj (Eu)	0.609	0.502	0.316	0.315	0.325
EPS Old Adj (Eu)	0.609	0.504	0.452	0.523	
DPS (Eu)	0.300	0.000	0.000	0.159	0.167
NAVPS (Eu)	10.277	9.215	9.217	9.439	9.507
P/NAVPS	0.2	0.2	0.2	0.2	0.2
P/E Adj	2.8	3.4	5.3	5.4	5.2
Div. Yield	17.8%	0.0%	0.0%	9.4%	9.9%
Net Debt/EBITDA Adj	9.5	9.0	8.0	7.9	7.7

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- 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)

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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.

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NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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

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Emitente	%	Long/Short
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