

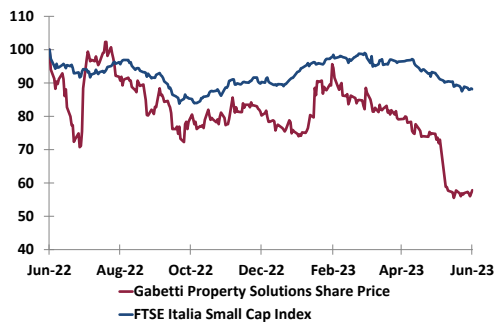


## OUTPERFORM

Current Share Price (€): 0.80

Target Price (€): 1.50

### Gabetti - 1Y Performance



Source: S&P Capital IQ - Note: 09/06/2022=100

### Company data

ISIN number	IT0005023038
Bloomberg code	GAB IM
Reuters code	GAB.MI
Industry	Real Estate
Stock market	Euronext Milan
Share Price (€)	0.80
Date of Price	09/06/2023
Shares Outstanding (m)	60.3
Market Cap (€m)	48.1
Market Float (%)	41.1%
Daily Volume	72,420
Avg Daily Volume YTD	112,447
Target Price (€)	1.50
Upside (%)	88%
Recommendation	OUTPERFORM

### Share price performance

	1M	3M	6M	1Y
Gabetti - Absolute (%)	-21%	-34%	-28%	-42%
FTSE Italia Small Cap (%)	-4%	-10%	-2%	-12%
1Y Range H/L (€)			1.41	0.77
YTD Change (€)/%			-0.25	-24%

Source: S&P Capital IQ

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## Single-source for the full spectrum of real estate

**We initiate coverage of Gabetti Property Solutions: OUTPERFORM rating, TP €1.50 per share**

Gabetti Property Solutions, listed on Euronext Milan, is an Italian real estate full-service provider with over 70 years of experience. Gabetti has complemented the historical core business of real estate brokerage with a full range of services. Revenues have grown over the last 5 years at a 35% CAGR, reaching €150m in FY22, combining organic growth and acquisitions and delivering profitability mostly above 10% EBITDA margin.

### Integrated business model built around property, industry specializations

The diverse portfolio of integrated comprehensive real estate services addresses the entire lifecycle of real estate: Brokerage, Advisory and technical services, Property and Facility management, Credit and Insurance brokerage and Building renovation services, spanning across residential, office, production facilities & logistic, retail, hospitality, sporting properties. Historically, Gabetti has core operations in the luxury segment through a dedicated brand.

### The new shape of top tier service provider

Over the seven decades of experience Gabetti has built and consolidated its competitive advantages: know how, resources, service capabilities and size as a top tier service provider. Gabetti is within the inner circle of extended nationwide real estate networks, with direct regional offices and franchised agencies, a *must-have* among brokers, whose competition is primarily local as real estate is bound to a geographic location.

### An evolving strategy for riding emerging RE trends

Corporate strategy objectives are: bring back brokerage at the core of operations, adding luxury Top Properties segment and concentrating franchising under its own brand; face the changing regulation of tax incentives for building renovations by introducing a direct general contractor activity; enhancing the present business model based on multiple networks and complementary real estate services.

### A brand new Gabetti, restored financial performance, growth and value-building mood

After the completion of a debt restructuring and being out of financial distress, last years financial performance confirmed an expansion phase and recovery of the growth path. We expect 2022-25E revenue growth over 5% CAGR, net of renovations impacted by tax incentives and divested RE franchising, reaching €165m revenues in 2025E. Profitability would stay in the upper-side of the industry range.

### Target Price €1.50 per share, OUTPERFORM recommendation

Reputation, market reach and breadth of the service offering strengthen the long-term value of Gabetti allowing to ride emerging trends and opportunities. The stock is currently trading at discount to its peer group, 0.4x EV/Revenues vs 1x. Our valuation indicates a Target Price per share of €1.50, +88% on current share price, corresponding to 0.7x EV/Revenues. We initiate coverage of Gabetti Property Solutions with an OUTPERFORM rating.

### KEY FINANCIALS AND ESTIMATES

€m	2021	2022	2023E	2024E	2025E
<b>Revenues</b>	<b>167.3</b>	<b>151.8</b>	<b>155.2</b>	<b>165.0</b>	<b>165.5</b>
YoY %	154%	-9%	2%	6%	0.3%
<b>EBITDA</b>	<b>18.7</b>	<b>26.8</b>	<b>19.9</b>	<b>22.3</b>	<b>24.1</b>
Margin	11%	18%	13%	14%	15%
<b>EBIT</b>	<b>12.8</b>	<b>13.6</b>	<b>7.0</b>	<b>13.9</b>	<b>15.2</b>
Margin	8%	9%	5%	8%	9%
<b>Net Income</b>	<b>12.2</b>	<b>14.5</b>	<b>1.3</b>	<b>5.1</b>	<b>6.6</b>
<b>Trade Working Capital</b>	<b>22.2</b>	<b>37.8</b>	<b>64.6</b>	<b>62.0</b>	<b>69.4</b>
TWC/Revenues	13%	25%	42%	38%	42%
<b>Net (Debt) Cash</b>	<b>(8.2)</b>	<b>(12.0)</b>	<b>(37.1)</b>	<b>(28.2)</b>	<b>(27.4)</b>
<b>Equity</b>	<b>26.6</b>	<b>38.0</b>	<b>39.3</b>	<b>44.4</b>	<b>51.0</b>

Source: Company data 2021-22A, EnVent Research 2023-25E

## 1. INVESTMENT CASE

### Company

Gabetti Property Solutions, listed on Euronext Milan, is an Italian real estate services provider of the full range of brokerage, advisory and technical services, credit and insurance brokerage, and building renovation services, with over 70 years of experience and expertise across residential, office, production facilities & logistic, retail, hospitality, sporting and specialty properties.

Key figures (FY22):

- Revenues €152m
- €40bn valued assets
- €10.5bn assets under management
- Transactions worth €1bn
- Workforce of over 460 people
- 660 franchised agencies under Gabetti Franchising with 1,500 agents, 188 condo management associates, 352 associated renovation companies - current figures
- 10 regional corporate offices and 24 franchising corporate agencies in Italy

### Drivers

#### Industry drivers

**Real estate industry sensitive to economic cycles and macroeconomic factors.** Real estate market conditions have historically been and continue to be cyclical. The industry is influenced by macroeconomic factors, demographics and general economy conditions, such as interest rates, inflation trends and market liquidity, inherently correlated to prices and availability of real estate. Government policies and tax regulations also influence demand for real estate.

**Defensive capital allocation to real estate.** Investors continue to be interested in real estate as a core and growing asset class, with attractive returns compared to other investment options, especially when macroeconomic uncertainties put challenges on other asset allocations.

**Permanent appeal of the residential market.** Diversification in the type of housing offers opportunities going forward: more livable spaces and a shift to single-family rental property for the increased time spent at home reflect common post-pandemic needs. There is also demand for multi-family properties, student-housing and new formats like co-living. Senior housing, such as assisted care and living facilities, are experiencing a spike in investment interest, also supported by long-term demographics. Overall, residential assets have proven their resilience and investors are turning more towards this market segment as opposed to other assets with exposure to industry trends and dynamics such as offices, retail and Horeca.

**Office sector amid a major reset: growth in corporate outsourcing.** Offices are being impacted by falling rents and occupancy. The workplace is no longer seen as a fixed asset, but as an experience not tied to a physical location, but rather influenced by increased investments in amenities, technology, flexible layout, work models and green footprint. Given the widespread recognition about working environment critical role in employee welfare, corporate clients and investors are increasingly seeking comprehensive specialist professional advice.

**RE 4.0: technology influences real estate investment decisions.** Advances in technology, data and AI continue to transform how buildings are designed, built, operated and lived, as well as client expectations for real estate advisory competencies. Proptech has taken its place, reshaping the whole concept of real estate services, all interlinked with the future of work, changing workstyles and sustainability. Technology and e-commerce trends impact the attractiveness of certain assets, such as warehouses, data centers and telecom towers. The surge in online spending has increased demand for logistical properties by e-commerce operators.

**Sustainability is a must-have.** Preserving resources and environmental concerns are more than ever crucial factors in the analysis of real estate projects. Climate change is in the spotlight and ESG is now secured as a long-term priority for investors and tenants. Industry players are called to contribute in reducing the climate impact and mitigating environmental risks, since the buildings and buildings construction sectors are responsible globally for 30% of energy consumption and 27% of energy emissions (Source: International Energy Agency, *Buildings topics* at [iea.org](http://iea.org), on 2021 data).

**Urbanization.** Continuing moving trend towards most dynamic urban areas which attract professionals, students and skilled workers result in a restless need for investment in infrastructure and connectivity programs, mainly in residential areas, industrial sites, commercial properties and social infrastructure.

**Home rental from DIY to professionalization.** The home rental market is more and more becoming professionally managed. As long as homeowners discover short/mid/long-term rents as business opportunity, the demand for professional property management will keep growing in the years to come and is expected to foster new forms of hospitality and related services.

**Italian real estate properties obsolete and poorly energy efficient: need for refurbishment.** In Italy more than 40% of properties were built before 1976 and 18% before 1945 (Source: ENEA, *Rapporto Annuale Efficienza Energetica*, 2021). In addition, as to energy, most buildings show the lower energy efficiency classes. As a consequence, the potential market for refurbishment and energy retrofitting is huge.

**Tax credits and incentives.** For buildings renovation, especially the adaptation to environmental-friendly regulations and energy saving retrofitting, homeowners in Italy are entitled to certain tax benefits. In addition, the medium/long run energy efficiency targets set

by EU for real estate properties, combined with the current status of Italian real estate stock, will continue to drive demand for renovation.

### Company drivers

**Multidisciplinary skills and integrated business model built around property.** The portfolio of comprehensive and complementary real estate services is supported by decades of local market experience. The multi-service offering, based on an integrated business model and verticals, addresses the entire lifecycle of real estate. Business model is designed to facilitate cross-selling opportunities across service lines.

**Value proposition to serve a diversified set of clients.** Services are provided to both B2B and B2C clients who represent a wide range of industries: residential, offices, hospitality, industrial & logistics, infrastructure, retail, sporting facilities. The diversity of services and market segments reflects the accrued knowledge and expertise.

**Recurring client relationships.** The client-driven focus enables to develop and sustain long-term client relationships that generate repeat business and create recurring revenue opportunities, especially for technical services. Superior service is delivered through ongoing staff investment and training, processes and tools that support client relationship management.

**National brand and reputation.** Gabetti is a nationwide player, with an extended presence through direct regional offices and franchised agencies. The brand has over 70 years of history and has been awarded national Historic Brand, a reputation coming from industry knowledge and breadth of professional real estate services.

**Defensive real estate industry player.** Gabetti services include brokerage, consultancy engagements, management and outsourcing support, a low-risk business model compared to real estate services and investment firms which also undertake direct investments.

**Acquisitions of companies and new businesses.** Gabetti has a proven track record of identifying, executing and integrating acquisitions and of establishing new businesses to fill market needs along the real estate value chain.

**Quality of the inhouse industry research department.** The analysis and monitoring of the real estate sector and its market segments, provided by the inhouse research department, support internal professionals and network brokers. Research also investigates emerging trends to reshape services based on evolving clients' needs.

### Challenges

**Ongoing headwinds for geopolitical instability and inflationary pressures.** In the last decade, low interest rates and increased funding activities have triggered prices, especially in the residential market segment. Currently, inflation is one of the biggest areas of risk, followed by

geopolitical tensions. Rising interest rates are a major challenge for investors and private property buyers. Geopolitical risks bring changed market dynamics and governments influence in economies. Current uncertainties may also counterbalance the real estate perception as defensive investment.

**Low/medium barriers to entry, high rivalry.** The competitive arena of the real estate services industry is fragmented and heterogeneous, populated by multinational companies, domestic and local businesses. Barriers to entry are generally low/medium, however, scale and network represent obstacles to new entrants. As to building renovation segment, current market trends and low barriers, along with tax benefits, have pushed newcomers to enter the market.

**Downsizing of tax incentives and regulatory changes.** The exceptional benefits introduced in last years to help recovery from economy slowdowns have been major boosters for the building renovation market in recent years. The downsizing of tax incentives to building renovations and other tax benefits may normalize growth and profitability in the industry.

**Managing multi-service organization.** Attraction and retention of talents who have to deal with a mix of emotional and rational behaviors of B2C individual clients. This includes developing an effective base of brokers, both at direct and franchisee level, educated at gaining trust as a key competitive advantage. Conversely, for B2B services, technical skills, track record, tangible quality of service and innovation require continuous professional advancement and upgrading of solutions.

## 2. PROFILE

### Multi-segment multi-service property specialist

**Traditional and advanced real estate services**

Gabetti, founded in 1950 as a company specialized in property brokerage, has evolved to become a full-service provider in the real estate industry. Over the years Gabetti has complemented the historical core business and expanded the range of services both organically and through acquisitions.

**A national network with local market experts**

Core services are Brokerage, Advisory and technical services, Credit and insurance brokerage, and Building renovation services, spanning across residential, office, industrial & logistic, retail, hospitality, sporting and specialty properties.

Gabetti has operations in Italy, where it has 10 corporate offices in the major cities with regional presidium and a widespread presence throughout Italy with franchise networks: 660 real estate agencies under Gabetti Franchising, 24 franchising corporate agencies, 188 condo management associates and 352 associated renovation companies, with a total workforce of over 460 people as of year-end 2022.

### History and key developments

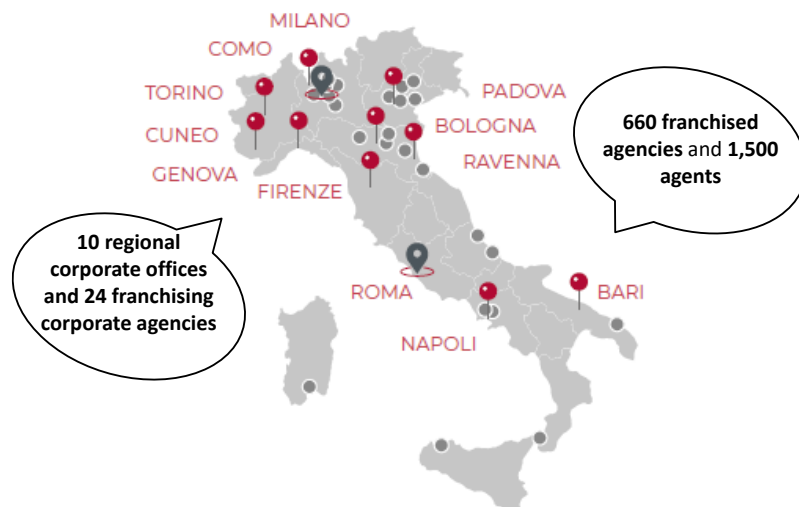
**Looking back on a long history with roots in '50s**

Key milestones	
1950s	<ul style="list-style-type: none"> <li>Establishment in 1950 in Turin by Giovanni Gabetti with the opening of the first real estate agency in Italy</li> </ul>
1960s	<ul style="list-style-type: none"> <li>Start of fractional sales of properties under development</li> <li>First mobile offices (campers) near buildings for sale</li> <li>New branches in Milan and Rome</li> </ul> <p>Workforce: 80 people</p>
1970s	<ul style="list-style-type: none"> <li>Launch of new methods of financing, such as the "30-day formula"</li> <li>Setup of the headquarter in Milan and of the holding company</li> <li>Setup of Santandrea Luxury Houses, specialized in prestigious properties</li> </ul> <p>Workforce: 250 people</p>
1980s	<ul style="list-style-type: none"> <li>Establishment of Gabetti Leasing</li> <li>Setup of 40 urban agencies in Italy, in addition to 23 existing branches</li> </ul> <p>Workforce: 400 employees</p>
1990s	<ul style="list-style-type: none"> <li>Listing of Gabetti Holding on the Italian stock market</li> <li>Establishment of Patrigest, dedicated to consulting and strategic advisory</li> <li>Launch of franchising network Gabetti OP.IMM</li> </ul>
2000s	<ul style="list-style-type: none"> <li>Acquisition of Abaco Servizi, specialized in property and facility management, and due diligence services</li> <li>Renaming of Gabetti Holding in Gabetti Property Solutions</li> <li>Launch of the Full Service Provider model</li> <li>Merger of La Gaiana, historic real estate trading company and key shareholder, into Gabetti</li> <li>Establishment of Tree Real Estate, bringing together the franchising networks: Gabetti Franchising Agency, Grimaldi Immobiliare and Professionecasa</li> </ul>

2010s	<ul style="list-style-type: none"> <li>• Marcegaglia Group becomes key shareholder</li> <li>• Launch of Wikicasa, the first online portal for real estate agents</li> <li>• Setup of the regional offices system, with over 1,000 franchised agencies</li> <li>• Setup of Money, credit brokerage company</li> <li>• Establishment of Npls Re Solutions for the management of Npls on the retail market (then sold in 2022)</li> <li>• Establishment of Gabetti Lab, dedicated to development and management of Gabetti Condominio and Gabetti Tec networks, with over 1,000 companies working on building renovation</li> </ul>
2020s	<ul style="list-style-type: none"> <li>• Award of Historic Brand</li> <li>• Launch of Gabetti Fire Solutions, providing consulting on fire prevention</li> <li>• Establishment of AssicuraRE, real estate insurance broker</li> <li>• Acquisition of Moon Energy, providing consulting on electricity and gas</li> <li>• Setup of Gabetti Academy, training centre</li> <li>• Sale of 80% of Professionecasa (330 franchised agencies) in H2 2022 and of 100% of Grimaldi Franchising in H1 2023 through two management buyout transactions</li> </ul>

Source: Company data

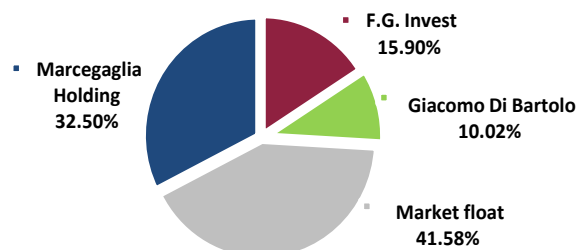
### Real estate network



Source: Company data

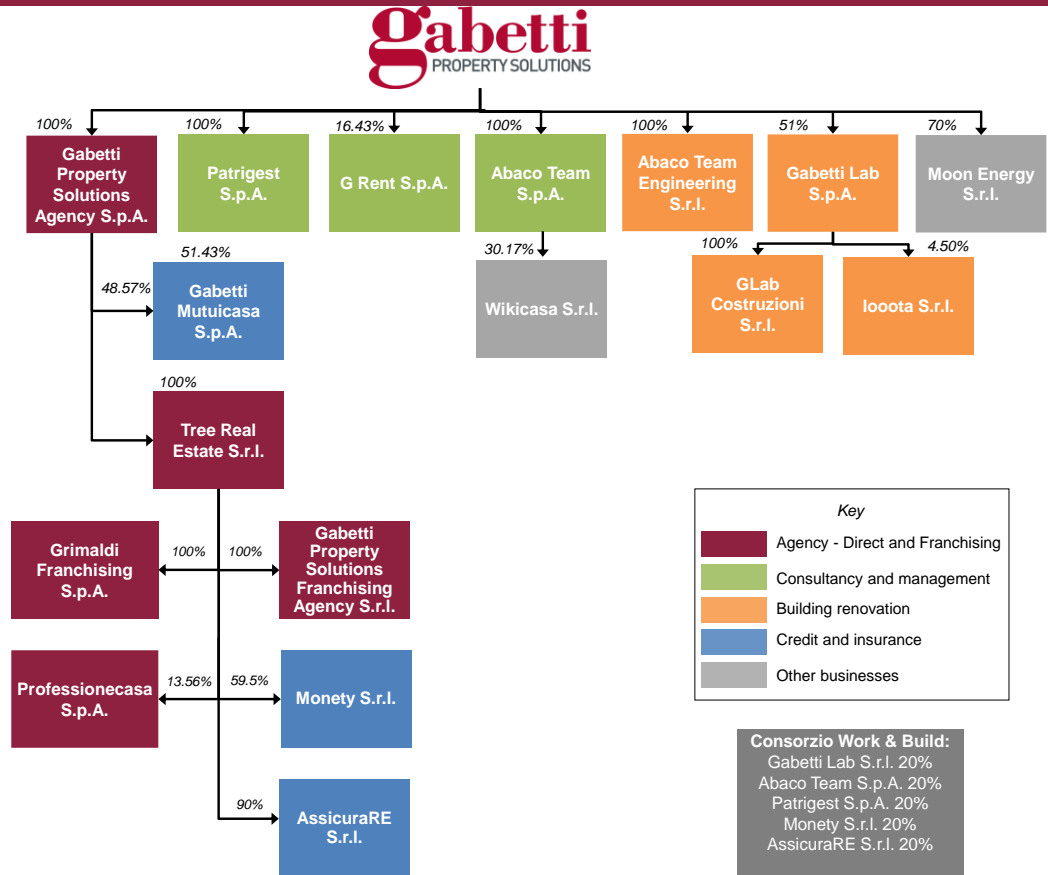
### Shareholders, group structure and key people

#### Shareholders





Source: Company data - Note: F.G. Invest is owned by Alessandro Gatti

**Group companies**



Source: Company data, update 31/03/2023

**Key people**

Name and role	Background
<p><b>Chairman and Managing Director</b></p>  <p><b>Fabrizio Prete</b></p>	<ul style="list-style-type: none"> <li>Joined Marcegaglia Group and Gabetti Group in 2012, leading the turnaround and relaunch</li> <li>He is Chairman and Managing Director of Marcegaglia Buildtech</li> <li>From 2005 to 2012 he was General Manager of Alpitour, managing the turnaround and relaunch</li> <li>In 1995 he joined IFI (today Exor) at M&amp;A and corporate finance, including the IPO of Juventus. He was CFO of Juventus. In 2002 became CFO and Head of Corporate Finance of IFI and IFIL Investments. He led the turnaround of the holding companies controlled by Agnelli family.</li> <li>30 years of experience in holding companies, M&amp;A and corporate finance, business development and management</li> <li>Began his career at Arthur Andersen in 1992 as auditor and consultant</li> </ul>
<p><b>CEO</b></p>  <p><b>Roberto Busso</b></p>	<ul style="list-style-type: none"> <li>CEO of Gabetti Group since 2014</li> <li>Joined Gabetti in 2012 as Chairman and Managing Director of Abaco</li> <li>In 1991 he joined Real Estate Advisory Group, part of the American Appraisal Group, in various roles until becoming General Manager in 2006</li> <li>Architect</li> <li>Deputy Vice Chairman of Marchi Storici, an association of Italian companies part of the Register of historic brands of national interest held by Ministry of Enterprises and Made in Italy</li> </ul>



**COO and CFO**



**Marco Speretta**

- CFO of Gabetti Group since 2007 and COO since 2014
- CEO of Tree RE and Gabetti Franchising
- Chairman of several companies among which Gabetti LAB, GRent, Monety and Recrowd
- Member of the executive council of Assofranchising
- Joined La Gaiana, a listed property company, as CFO in 2006
- Over ten years in PriceWaterhouseCoopers

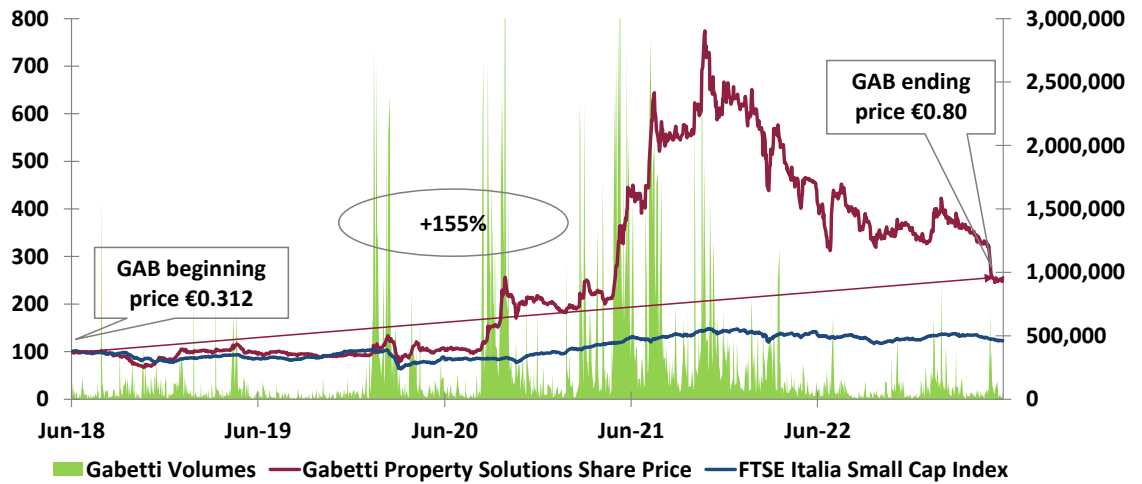
Source: Company data

**Stock market performance on Euronext Milan**

Gabetti Property Solutions on Euronext Milan		
Stock market	Euronext Milan	
Industry	Real Estate	
Bloomberg code	GAB IM	
Reuters code	GAB.MI	
Ordinary shares - ISIN number	IT0005023038	
Shares outstanding	60,335,566	
Current Share Price (€)	0.80	
Current Market Cap (€m)	48.1	
Basic Earnings per Share (€)	FY22	0.193
Book Value per Share (€)	FY22	0.567

Source: Company data and S&P Capital IQ, update 09/06/2023

**5Y Share price performance and volumes**



Source: S&P Capital IQ - Note: 11/06/2018=100

### 3. MARKET TRENDS AND OUTLOOK

#### The Italian real estate market

The real estate market has historically been cyclical, being influenced by macroeconomic factors, demographics and general economy conditions, such as interest rates, inflation trends and market liquidity, correlated to prices and availability of real estate.

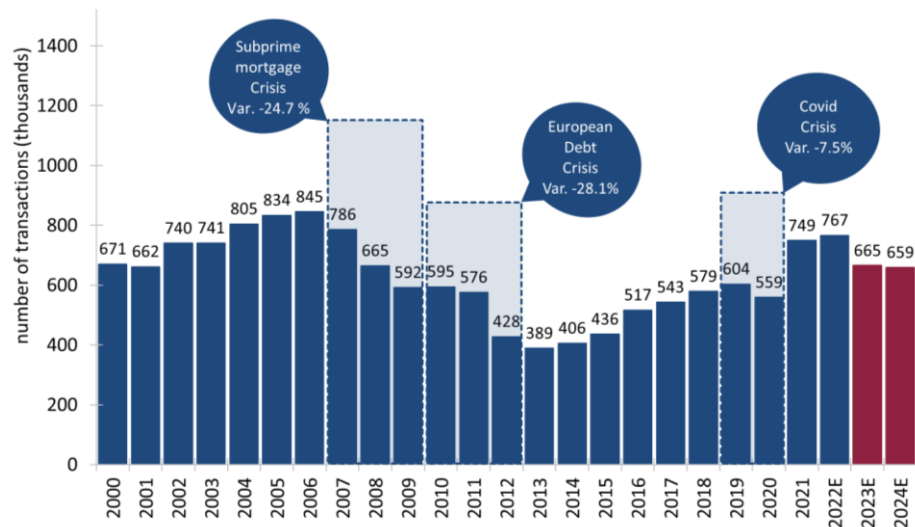
Overall, in 2021 the number of transactions in Italy went up by 37% YoY to 1.5m, with significant growth rates across main market segments (Source: Agenzia delle Entrate, *Residential and Non-residential real estate reports 2022, 2022*).

#### Residential market

Over the last 20 years, residential transactions have been through a rollercoaster trend. Both subprime mortgage (2007-09) and European debt crisis (2010-12) severely depressed properties' sales. With the pandemic crunch, residential transactions declined by 7% YoY, vs 25-28% of previous crisis, followed by a significant 34% rebound in 2021, due to exceptionally expansive monetary policy from ECB. Despite this, current transactions levels at 767k units in 2022 are still far from 2007-13 pre-crisis.

#### Historical residential transactions

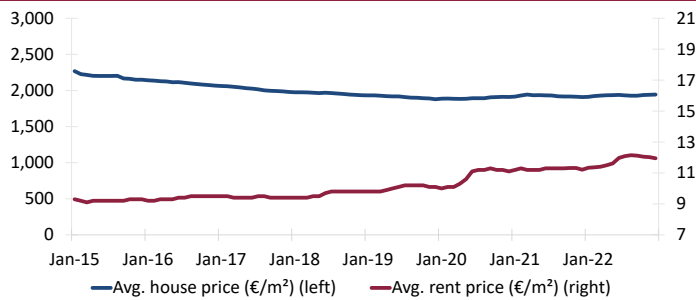
**+79% transactions  
in the last decade**



Source: Nomisma, *Osservatorio sul mercato immobiliare -3° rapporto, 2022*

According to Nomisma, an Italian research and consulting firm, the current European macroeconomic landscape with higher and still increasing interest rates will hit the residential market on several fronts: on one hand, buyers demand will decrease due to higher mortgage costs, while, on the other hand, banks will be more cautious in financing to avoid insolvencies, thus further weakening the residential market. In this scenario, Nomisma expects residential transactions to decrease at 665k in 2023 (-13% YoY) and 659k in 2024 (-1% YoY).

### Average prices: rentals vs sales



Source: Immobiliare.it database ([www.immobiliare.it/mercato-immobiliare](http://www.immobiliare.it/mercato-immobiliare))

### Housing price index: new vs old properties



Source: ISTAT, *Prezzi delle abitazioni III trimestre 2022, 2022* - Note: 2015=100

From 2015 to 2022, according to Immobiliare.it, an online portal for sale and rental listings, rental demand exceeded supply, reflecting preferences to not underwrite mortgages. According to Istat, the Italian statistics institute, sales prices drop is almost entirely attributable to old properties, as new ones had an upward trend in prices from 2015 to 2019.

### Focus: Luxury segment

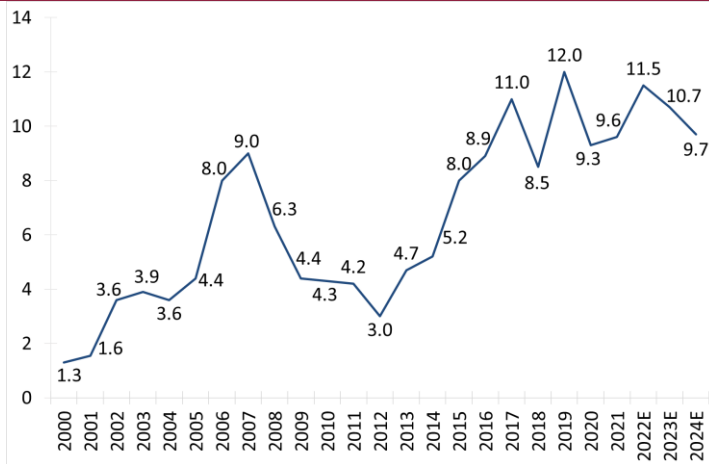
Luxury real estate in Italy flourished in the last decade: transactions recorded a huge increase, +57% between 2016-21 and +40% YoY in 2021, reaching 4,630 deals in 2021, according to data from the Italian Council of Notaries (source: Consiglio nazionale del notariato, *Rapporto Dati Statistici Notarili 2021, 2022*). The luxury market segment is mainly driven by an increasing number of High Net Worth Individuals and their investment choices. According to Bloomberg, more foreign HNWI are choosing to relocate to Italy for tax reasons, urban development projects and low cost of living, among other reasons.

According to Santandrea Luxury Houses, Gabetti division dedicated to high-end consulting for luxury properties, in H2 2021 transaction prices increased compared to H1, with Milan +2.7%, followed by Rome (+2.4%) and Naples (+1.3%). Average sales time remained stable, ranging from 4 to 8 months. Overall, in 2021 the demand for buying luxury houses (72%) exceeded demand for rentals (28%). Upper floors and terraces were among the main requests for prestigious houses (source: Santandrea Luxury Houses, *Prestigious homes market H2 2021, 2022*).

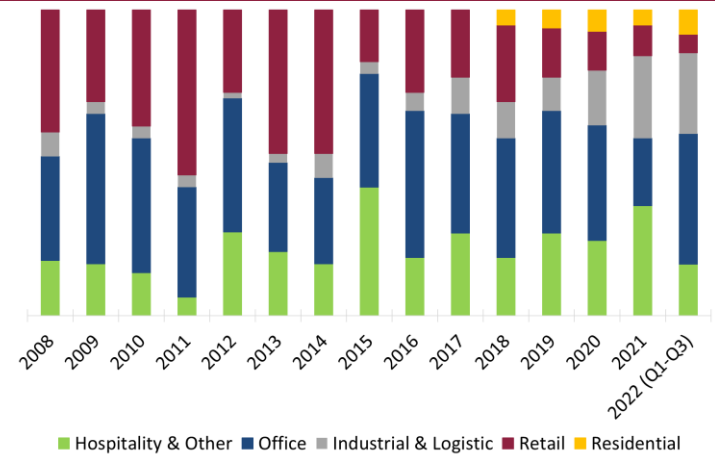
### Corporate market

Corporate investment volumes increased from 2000 to 2007, until the subprime mortgage crisis hit the market (-67% in 2007-12). Starting from 2013, investment volumes rebounded, reaching a peak of €12bn in 2019.

**Investment volumes (€bn)**



**Industry breakdown**

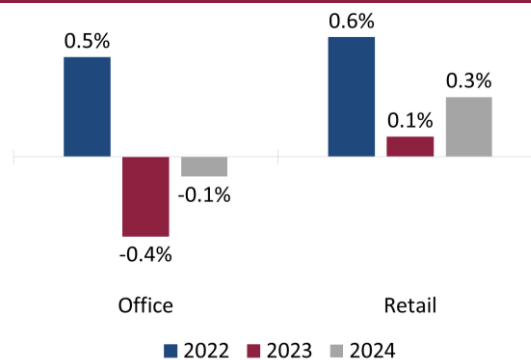


Source: Nomisma, Osservatorio sul mercato immobiliare - 3° rapporto, 2022

According to Nomisma, Italian corporate investments are expected at €10.7bn in 2023 (-7% YoY) and €9.7bn in 2024 (-9% YoY), decreasing for the global economic slowdown.

The industry breakdown in 2021 reflects changes in corporate investments allocation compared to 2008: industrial and logistic recorded the largest investment volumes, reaching €2.7bn in 2021 (+80% YoY), with e-commerce spaces accounting for 43%, fueled by the explosion of online sales; retail recorded a diminishing allocation trend during the last 15 years, reflecting the strong growth of e-commerce, reaching €1.4bn in 2021 (-4% YoY); from 2008 to 2021, offices have been quite stable, with a transactions value of €2.2bn (-41% YoY) in 2021, and with Milan and Rome accounting respectively 78% and 12% of total investment volumes. In 9M of 2022, offices returned the first asset class for investment volumes (43%), follow by industrial and logistic (27%) (source: PWC, Real estate market overview, 2022).

**Transaction prices: offices vs retail - YoY % changes**



Source: Nomisma, Osservatorio sul mercato immobiliare - 3° rapporto, 2022

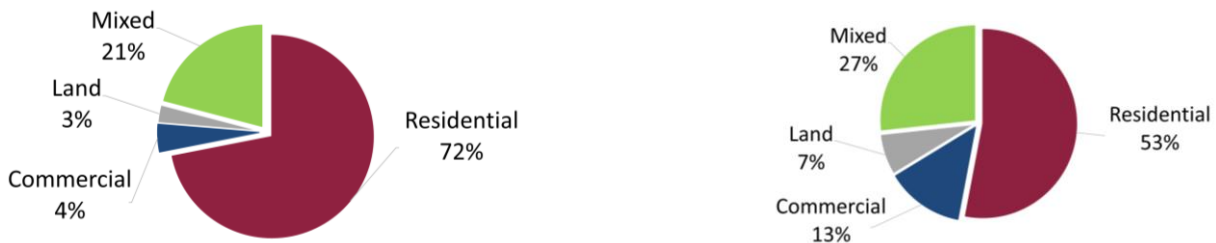
According to a market study on 13 Italian cities by Nomisma, in 2022 both offices and retail registered slight prices increases driven by steady demand. For the next two years, Nomisma estimates steady prices for retail, while slightly decreasing for offices. According to Scenari Immobiliari, Italian real estate research institute, institutional investors will act speculative in retail properties investment choices in the next years, focusing on opportunistic and value-added strategies consisting in buying properties at cheap price, refurbishing and selling them;

as to locations, preferences will be on high streets (source: Scenari Immobiliari, *Rapporto 2023 sul mercato immobiliare commerciale*, 2023). According to Idealista, an online portal for sale and rental listings, in the office segment the *fight to quality* trend is emerging, consisting in the trend of searching for properties, even located in peripheral areas, that offer a good level of livability, promoting the well-being of the occupants.

## Mortgages in Italy

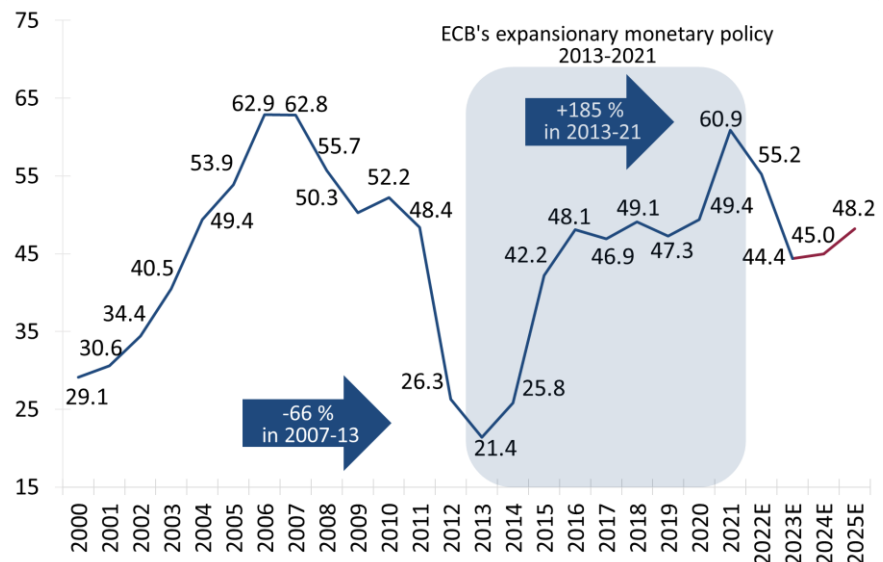
In 2021, according to the Italian tax authority, mortgaged properties reached 1m units (+26% YoY) with €101bn principal financing (+29% YoY), mostly for residential properties.

### Properties financed with mortgage in 2021 by use Principal financing in 2021 by use (%)



Source: Agenzia delle Entrate, *Rapporto mutui ipotecari 2022*, 2022

### Historical trend of principal financing for residential properties (€bn)



Source: Nomisma, *Osservatorio sul mercato immobiliare - 3° rapporto*, 2022

Principal financing for residential properties is closely tied with global economic scenario and Central Bank decisions: with the subprime mortgage crisis volumes dropped by 66%, while the ECB aggressive monetary policy in 2013-21 (below zero interest rate and QE policy) drove down mortgage costs, leading principal financing to increase by 185%, reaching €61bn in 2021. In 2022, financing for residential properties is expected to decrease by 9.4% as

increasing mortgage costs started to lower buyers' demand. According to Nomisma, the current interest rate increase policy will lead mortgage application demand to fall in 2023 at €44bn (-20% YoY), while a recovery is expected in 2024 and 2025, reaching respectively €45bn (+1% YoY) and €48bn (+7% YoY).

## Industry outlook

Five long-term macro trends are likely to influence the evolution of the real estate market going forward, according to Jones Lang Lasalle.

### Real estate macro trends



Source: Jones Lang Lasalle, *Annual report FY22* on United Nations Department of Economics and Social Affairs, *Prospects Report*, 2018

#### Growth in corporate outsourcing

While corporate space outsourcing is an already established long-term trend, the pandemic has accelerated the connotation of workplace as an experience not tied to a physical location. Transitioning from a traditional office space to a kind of hospitality experience, higher investments will be required in amenities, technology, flexible layout and green footprint. Corporate clients and investors are increasingly seeking specialist advice on reimagining and managing workspaces.

#### Rising capital allocation to real estate

Despite near-term impacts on transactions volumes, real estate has emerged out of the "alternative investment" classification after every major crisis, enjoying rising capital allocation. Investors continue to be interested in real estate as a core asset class, with attractive returns compared to other investment options, especially when macroeconomic uncertainties put challenges on other asset allocations.

#### Urbanization

Continuing moving trend towards most dynamic urban areas which attract professionals, students and skilled workers result in a restless need for investment in infrastructure and connectivity programs, mainly in residential areas, industrial sites, commercial properties and social infrastructure.

### Tech-driven *fourth industrial revolution*

The *fourth industrial revolution*, according to the World Economic Forum, is the wave of change driven by technology, data and artificial intelligence. The real estate industry is influenced in several ways:

- flexible and hybrid office spaces and working models
- data-driven buildings design, construction, operations and management, aiming at efficiency and sustainability
- surge in e-commerce and higher demand for properties in the logistics market segment
- growth in digitalization and higher demand for assets such as warehouses, data centers and telecom towers

### Sustainability

Preserving resources and environmental concerns are more than ever crucial factors in the analysis of real estate projects. Climate change is in the spotlight and ESG is a long-term priority for investors and tenants.

**Must-have for Gabetti** Among real estate macro trends, the pillars of the *fourth industrial revolution* are must-have for Gabetti service offering, specializations and strategy.

### **Focus: Buildings renovation and energy efficiency retrofitting**

Buildings and buildings construction sectors are responsible globally for 30% of energy consumption and 27% of energy emissions (source: International Energy Agency, *Buildings topics* at [iea.org](http://iea.org), on 2021 data), while energy demand and use continue to rise, driven by growing demand for air conditioning and greater use of energy-consuming appliances. As a consequence, decarbonizing building stock is crucial to deliver a zero-emission scenario by 2050, as envisaged in the framework of the European Green Deal. The pandemic and especially the geopolitical tensions have accelerated the transition, bringing more funding for energy efficiency investment.

### EU measures for energy efficiency and sustainability

The EU Energy Performance of Buildings directive requires that member countries establish national building renovation plans to upgrade building stock, setting the target to renovate 3% of public buildings per year from 2023.

Minimum energy efficiency standards require that public buildings and private non-residential buildings will be at least class F after 2027 and at least class E by 2030. In details: by 2027 the bottom 15% of buildings (class G) are required to be upgraded by 1 energy class; by 2030 the bottom 30% of buildings are required to be upgraded by 1 class (F to E) or 2 classes (G to E).

For residential buildings the time frames are longer: 2030 to reach class F and 2033 to reach class E.

The EU Sustainable Finance Action plan is likely to impact real estate from an investment and asset management perspective: rising investors interest for sustainability performances and integration of ESG factors by real estate players; landlords will face higher capex to meet changing GHG emission regulations and tenants' demand; older and unrenovated buildings will be probably subject to retrofitting and renovation.

Initiatives in Italy

The Italian Next Generation EU program for Italy (Piano Nazionale di Ripresa e Resilienza - PNRR) is playing a key role for the whole sector. The national association of construction companies estimated an overall €108bn impact for the Italian building industry (Source: ANCE, *PNRR: il nuovo studio Ance sull'assegnazione delle risorse ai territori*, January 2022).

Italian measures for promoting buildings renovation, adaptation to environmental-friendly regulations and energy saving retrofitting, include several tax benefits, such as the almost expired Superbonus 110%, tax deductions for renovations and energy upgrades, façade bonus, green bonus, furniture and household appliances bonus.



## 4. BUSINESS MODEL, SERVICE PORTFOLIO AND STRATEGY

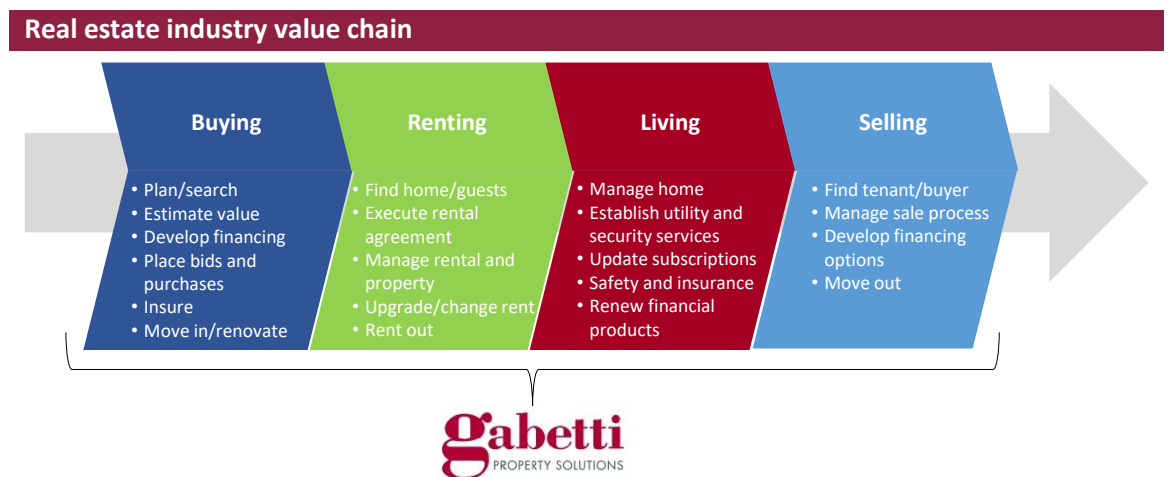
### Single-source for the full spectrum of real estate

#### Services

Gabetti has designed a business model which covers the main phases in the value chain of the real estate industry through the full range of integrated services across market segments:

- Brokerage
- Advisory and technical services
- Credit and insurance brokerage
- Building renovation

The diverse and integrated service offering built over the years makes Gabetti equipped to navigate the evolving and challenging real estate market.



**One-stop shop for property buyers, sellers and tenants**

Source: EnVent Research on McKinsey, *Deep insights, broad solutions: How banks can win in the vast housing ecosystem*, 2018

#### BROKERAGE

**Joint business model for brokerage**

The brokerage business comprises tenant representation and investment advice on purchases and sales directly through specialized divisions and through the franchising network:

##### **Corporate - Gabetti Property Solutions Agency**

Consulting for purchases, sales, rental, value enhancing of offices, corporate buildings, retail, industrial & logistics hospitality and leisure properties.

##### **New buildings - Gabetti Home Value**

Consulting and brokerage for the residential sector in the area of new buildings and retrofitting of existing ones. Clients: real estate operators; owners such as institutions, banks, insurance companies, real estate funds; builders and developers; institutional investors.

##### **Luxury - Santandrea Luxury Houses and Top Properties**

Directly managed network offering consulting for luxury properties in Italy and abroad, including purchases, sales, renting, private real estate, new buildings, top properties.

##### **Real estate franchising - Gabetti Franchising Agency**

Real estate franchisor through Gabetti Franchising Agency, network of 660 franchised agencies and 1,500 agents.

### **ADVISORY AND TECHNICAL SERVICES**

Professional property services including advisory, valuation, technical services, environmental consultancy, property and facility management for owners and occupiers.

#### **Advisory - *Patrigest***

Strategic consulting for investment, divestment and allocation of real estate portfolios.

#### **Valuation - *Patrigest***

Appraisals of buildings, portions of properties, lands, development projects, companies and/or shareholdings, trademarks, patents and facilities.

#### **Audit & Health Safety Environmental - *Abaco***

Technical integrated consulting for the acquisition, sale and management of each type of building, including technical due diligence, professional services, certifications, environmental and ESG consulting.

#### **Property & Facility management - *Abaco***

Integrated property and facility management services also for condos.

#### **Loan services - *Abaco***

Integrated analysis and valuation services for financing, refinancing or subrogation of properties and/or capital assets as collateral.

#### **Short rent - *Gabetti Short Rent Luxury and Corporate Houses***

Property management of short-term rentals of both corporate and luxury properties.

#### **Condominium Franchising - *Gabetti Condominio***

Condos administration franchising network.

### **CREDIT AND INSURANCE BROKERAGE**

#### **Financial services - *Monety***

Financial consulting and loan advisory for properties purchasing (home mortgage loans; salary-backed loans; personal loans; insurance consulting and corporate advisory).

#### **Insurance services - *AssicuraRE***

Real estate insurance consulting (insurance policies for families taking out a mortgage loan, rental income insurance, insurance on donations, multi-risk home insurance, deposit guarantees, car policies, professional indemnity insurance).

### **BUILDING RENOVATION**

#### **Renovation - *Gabetti Lab***

Advisory on retrofitting and energy renovation through a network of 352 associated companies, profiting from tax incentives.

#### **Engineering - *Abaco***

Engineering services including project design, management and coordination of works.

#### **Design and construction firms network - *Gabetti Tec***

Network of design and construction firms for real estate renovation services.

### **OTHER BUSINESSES**

#### ***Wikicasa***

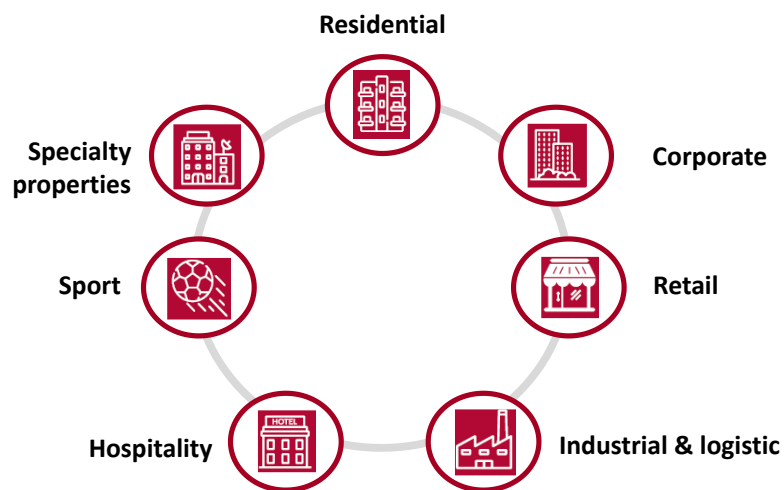
Digital marketing and business analytics services to real estate professionals through the online portal wikicasa.it, real estate portal reserved to professional listings and agencies.

## Clients and market segments

Services are provided to both B2C and B2B clients: real estate owners, tenants, corporates, investors and developers, who represent a wide variety of industries.

High demanding client property types include: residential (individual and multifamily), offices, hotels and hospitality facilities, production facilities and warehouses, logistics (sort & fulfillment), transportation centers, critical environments and data centers, infrastructure projects, retail and shopping malls, sports facilities, educational and cultural facilities, healthcare and laboratory facilities.

### Market segments



Source: Company data

## Revenue model

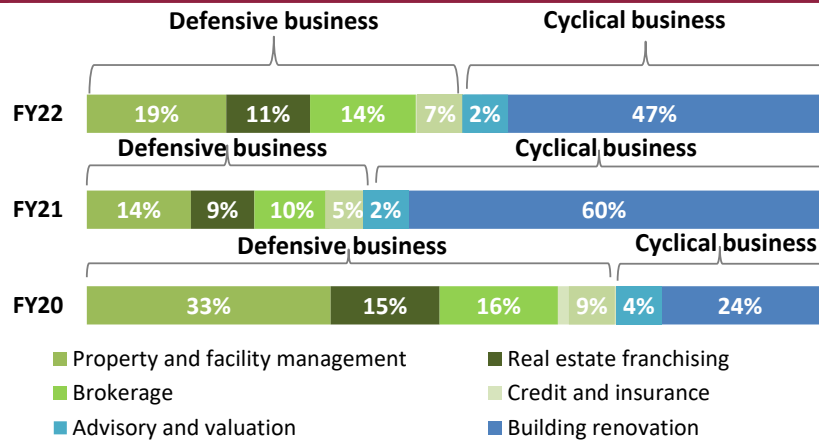
Revenues are generated from both cyclical, non-recurring sources, including fees on corporate transactions and revenues from retrofitting works, and more defensive sources, such as property and facility management and real estate franchising.

Main revenue generators:

- **Consultancy fees** - for technical services, valuations, consulting services, earned by completion of professional engagements. Consultancy fees may include fixed management fees on property and facility management services.
- **Brokerage fees** - earned upon occurrence of certain contractual events such as seller acceptance after buyer's offer or upon signing of the lease by the tenant. In some cases brokerage contracts also include incentive fees.
- **Royalties** - monthly fixed fees for franchisees under a multi-year contract (generally 5 years)
- **Credit and insurance brokerage fees** - earned for origination and brokerage of financial services such as mortgages and related insurance, paid upon contract signing
- **Upfront fees** - fees generally included in multi-year contracts with corporate clients or in franchising agreements

Beginning in 2021, the revenue mix has become weighted towards building renovations and retrofitting works powered by tax incentives.

**Revenue model**



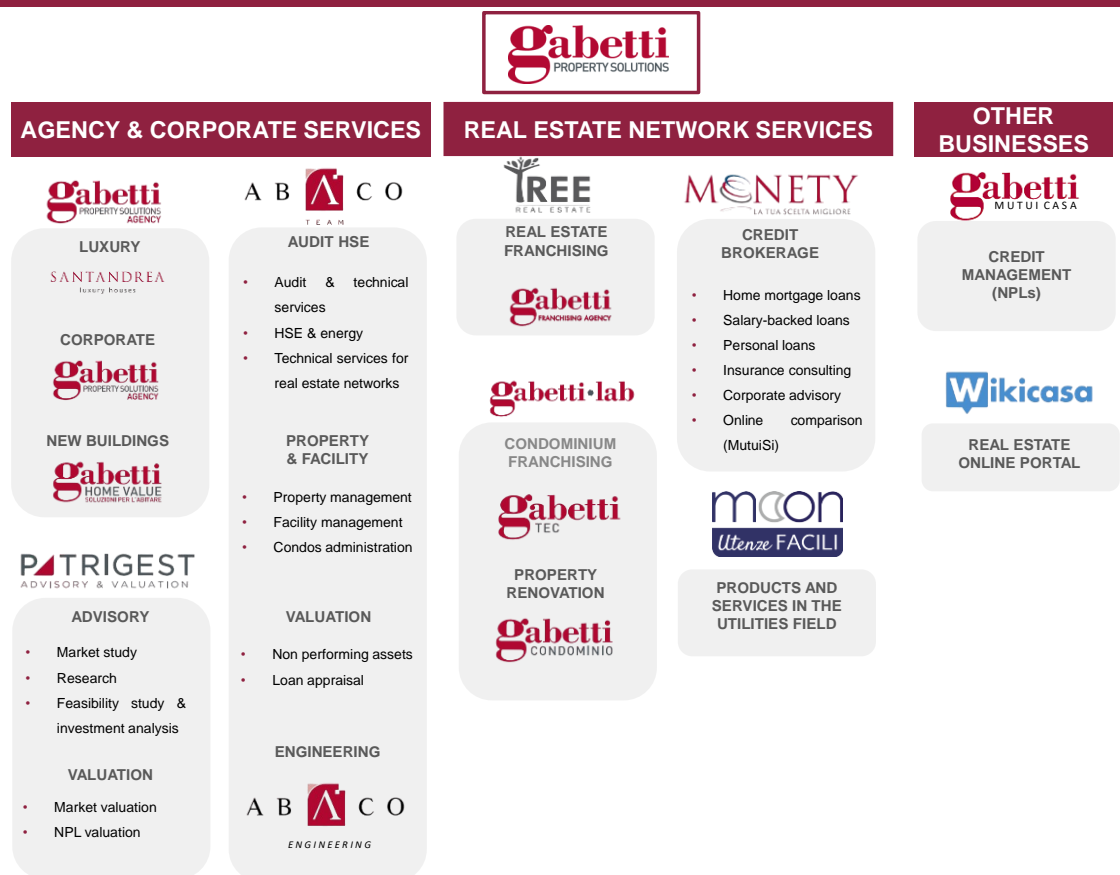
Source: EnVent Research on Company data

**Business units**

For financial representation purposes, operations have been reshaped into two BUs:

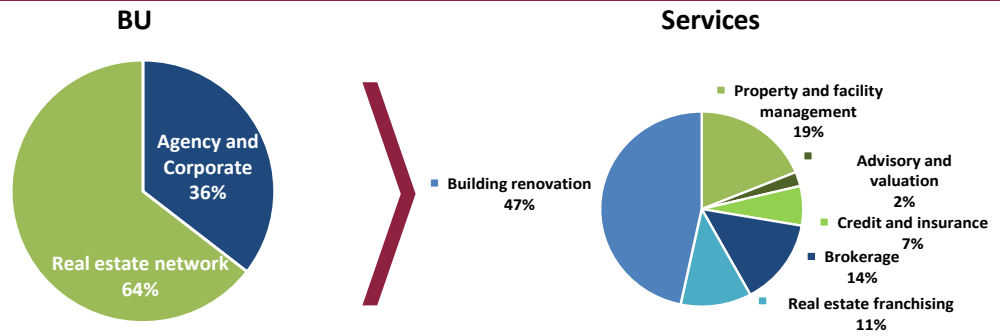
- **Agency and Corporate**, including Gabetti Agency, Patrigest and Abaco companies
- **Real Estate Network**, including the real estate franchisor company Gabetti Franchising Agency, the other networks Gabetti Condominio and Gabetti Tec, Monety and Moon Energy

**Service portfolio by BU and company**



Source: Company data

**Revenue breakdown, FY22**



Source: Company data

**Strategy**

- **Bring back brokerage** at the core of operations, starting by adding a *Top Properties* segment to upgrade SantAndrea Luxury Houses brokerage and concentrating real estate franchising business under Gabetti Franchising own brand (after MBOs of Professionecasa and Grimaldi networks in H2 2022 and H1 2023)
- **Geographical coverage expansion** of the real estate network, targeting 900 franchised agencies and 2,500 brokers within three years, with a target turnover of €15m
- **Direct general contractor** function to complement the advisory service to general contractors for building renovations
- **Further enhance the current business model** based on multiple networks and selling proposition of complementary real estate products/services to stabilize growth and profitability achieved over last two years
- **Expand the scope of the condos administration** franchising network to include full outsourcing of the entire administration, from property management to maintenance and upkeep, including facility and environmental services, along with renovation and building technology services. The goal would be to reduce overall costs, enhance the use, improve energy efficiency and maintain value throughout the property’s lifecycle for owners.
- **Approach more large clients**, public and private
- **Business extension** to the most promising industry niches such as silver economy, student housing, supported housing, private rented sector, co-living and short rental
- **Sustainability** as long-term pillar

## 5. COMPETITION

### An increasingly crowded arena

#### Industry players competing within the real estate industry

Gabetti operates across a variety of highly competitive businesses within the real estate industry, where it faces competition nationwide from global, national and local players.

#### Brokerage

Competition among brokers is primarily local because real estate is bound to a geographic location, and clients want interactions with brokers who have experience, expertise and network relevant to that location. Main competitors are:

- Real estate brokerages - including franchise operations affiliated with international, national or local brands. Among a plethora of small local firms and domestic networks, in the Italian playground there are also subsidiaries of large international firms.
- Small independent brokerages - The Italian market is populated by many local, family-run real estate firms and private individuals who operate as “house flippers” (house flipping describes purchasing a property and quickly reselling or "flipping")
- Tech brokerages - combining technology and brokerage services. They differentiate by offering consumers flat fees, rebates or lower commission rates on transactions (often coupled with very few services).

Competitors also include non-traditional real estate business models, such as Instant Buyers. The iBuyer selling proposition is buying a property at a discount price directly from private sellers through an instant cash offer and selling it afterwards, following some renovation works. iBuyers key features are: short time to market and quickness to conclude the deal, high capital requirements, liquid target market.

#### Real estate advisory and technical services

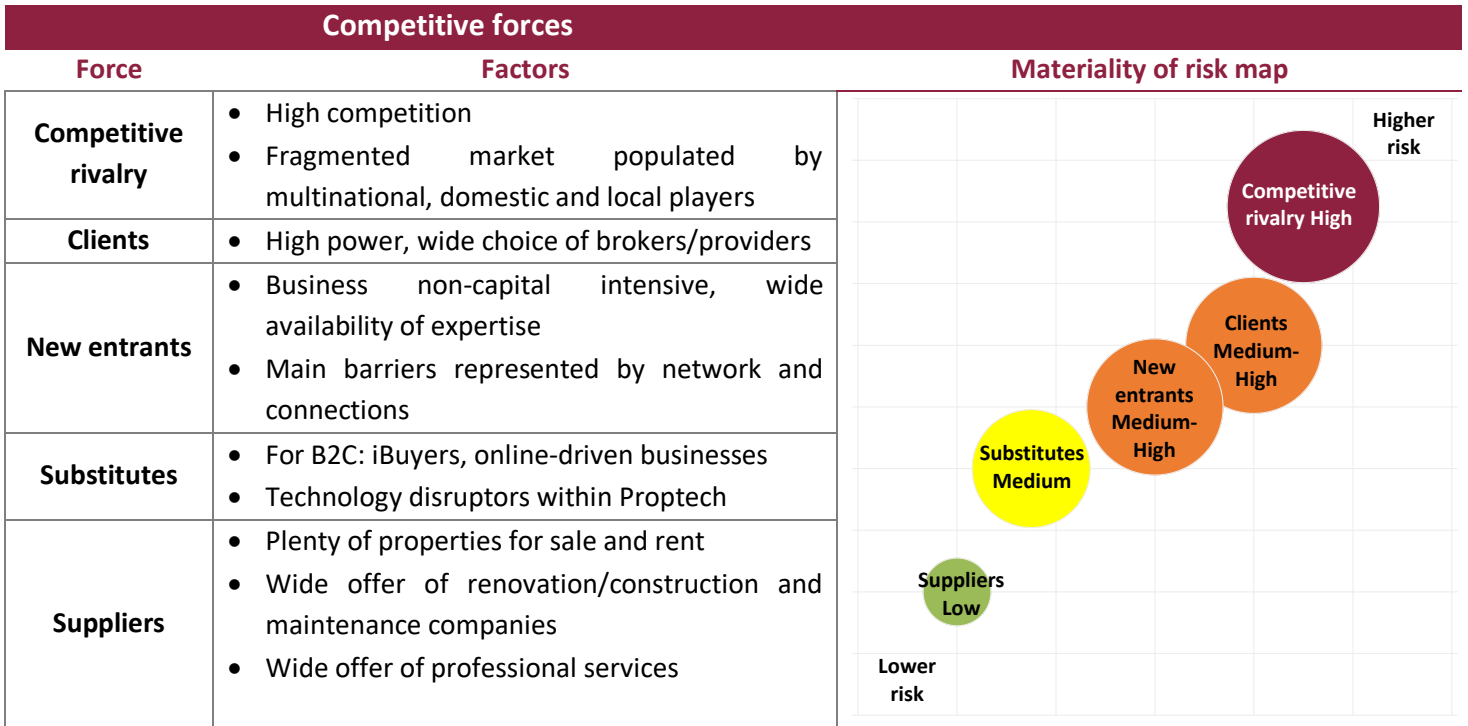
Competitors in the real estate services industry include: divisions or subsidiaries of large international firms; specialized service providers such as facility management companies and appraisers; bank and insurance companies that self-perform real estate services; companies that traditionally competed in limited portions of business and have expanded into other offerings. As to the building renovation business, Gabetti competes with providers of integrated services for urban renewal, building renovation and facility management.

#### Competition drivers

The main competitive factors in the real estate industry are:

- network connections and reach, *personal feeling* and trust - B2C
- breadth of services offered - B2B+B2C
- multidisciplinary teams and track record - B2B
- quality of service, reputation and brand strength - B2B+B2C
- brokerage fees and rebates - B2C and B2B
- client relationship management - B2B
- technology and innovation facilitating transactions - B2B+B2C

Highly fragmented  
and competitive  
playground



Source: EnVent Research

### Competition overview and performance indicators

According to our overview of the industry, the competitive analysis has been shaped based on Gabetti main business areas, in order to compare the breadth of services offered along the real estate value chain and to detect any consistency of performance among competitors.

### Real estate services - Business mix of competitors

Company	Brokerage							Property and facility management						Advisory and valuation	Building renovation
	Residential	Offices	Retail	Industrial & logistic	Hospitality	Capital markets	Healthcare	Audit & HSE	Property facility building mgmt	Project mgmt	Condo corporate	Loan services	Engineering services		
Gabetti	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
JLL	●	●	●	●	●	●	●	●	●					●	
Dils	●	●	●	●	●	●	●								
CBRE	●	●	●	●	●	●	●	●	●					●	
Colliers	●	●	●	●	●	●	●	●	●	●					
Cushman & Wakefield	●	●	●	●	●	●	●	●	●	●				●	
Engel & Volkers	●	●	●	●	●	●	●								
Tecnocasa	●											●		●	
ReMax	●														
Kroll								●	●	●		●		●	
Yard Reass									●	●		●	●	●	
Agire								●	●	●	●		●		
Prelios	●	●	●	●	●			●	●	●		●	●		
Casavo	●														
Immobiliare.it	●														
Idealista	●														
Imprendiroma															●
Edilizia Acrobatica															●
Teicos															●

Source: EnVent Research on publicly available information - Note: grey circles indicate ancillary business

For key data comparison, we have segmented the selected competitors along the value chain in smaller clusters:

- Brokerage
- Advisory and technical services
- Real estate franchising
- Building renovation
- Tech brokerage

The financial performance of competitors has been compared with the matching Gabetti BUs segment information as reported. For comparability reasons, being most competitors private companies, FY21 data were reported.

### Financial performance

Company	Revenues 2021 (€m)	YoY % (2021 vs '20)	5Y CAGR %	EBITDA 2021 (€m)	EBITDA Margin %	Net income (loss) 2021 (€m)	Net financial (debt) cash 2021 (€m)
<b>Gabetti - BU Agency and corporate</b>	<b>43.9</b>	<b>29%</b>	na	<b>3.8</b>	<b>9%</b>	na	na
Brokerage	16.9	65%					
Advisory and technical services	26.5	13%					
<b>Brokerage</b>							
<b>Dils</b>	33.2	70%	33%	18.4	55%	12.7	13.1
<b>CBRE</b>	30.6	68%	7%	5.4	18%	3.0	1.3
<b>JLL</b>	17.8	37%	-2%	-0.1	neg	-0.4	0.0001
<b>Colliers Advisory &amp; transaction</b>	12.6	17%	4%	5.1	40%	3.6	16.0
<b>Cushman &amp; Wakefield</b>	12.2	18%	2%	-0.7	neg	-3.7	2.4
<b>Prelios Agency</b>	5.0	59%	8%	0.1	3%	4.3	-0.9
<b>Mean</b>		<b>45%</b>	<b>9%</b>		<b>29%</b>		
<b>Median</b>		<b>48%</b>	<b>6%</b>		<b>29%</b>		
<b>Advisory and technical services</b>							
<b>Prelios Integra</b>	24.4	4%	2%	2.9	12%	2.7	0.1
<b>Prelios Valuation</b>	13.3	-1%	5%	3.3	25%	2.3	0.1
<b>Yard Reass</b>	37.1	105%	27%	3.4	9%	-0.01	-8.1
<b>Kroll</b>	34.7	-1%	-3%	2.7	8%	2.2	3.8
<b>Agire</b>	13.1	-7%	19%	0.02	0.2%	0.4	0.1
<b>CBRE Valuation</b>	9.0	-1%	7%	1.4	15%	0.8	2.6
<b>Colliers Property project &amp; dev.</b>	3.7	23%	44%	1.3	35%	0.9	1.3
<b>Cushman &amp; Wakefield Design &amp; build</b>	12.1	65%	81%	0.2	2%	0.2	0.9
<b>JLL Services</b>	11.8	-56%	9%	0.0	neg	-0.1	2.8
<b>Colliers Valuation</b>	2.3	20%	-1%	1.0	43%	0.7	2.1
<b>Mean</b>		<b>15%</b>	<b>19%</b>		<b>17%</b>		
<b>Median</b>		<b>2%</b>	<b>8%</b>		<b>12%</b>		

Source: EnVent Research on AIDA and companies' financial statements



Company	Revenues 2021 (€m)	YoY % (2021 vs '20)	5Y CAGR %	EBITDA 2021 (€m)	EBITDA Margin %	Net income (loss) 2021 (€m)	Net financial (debt) cash 2021 (€m)
<b>Gabetti - BU Real estate network</b>	<b>122.9</b>	<b>302%</b>	na	<b>15.4</b>	<b>13%</b>	na	na
Real estate franchising	14.2	50%					
Building renovation and condo admin	100.3	561%					
Credit and insurance	8.3	41%					
<b>Real estate franchising</b>							
<b>Tecnocasa</b>	160.9	7%	1%	32.3	20%	21.6	81.2
<b>ReMax</b>	16.5	26%	19%	4.5	27%	2.5	2.3
<b>Engel &amp; Voelkers</b>	8.4	61%	21%	3.3	39%	2.4	2.6
<b>Mean</b>		<b>31%</b>	<b>14%</b>		<b>29%</b>		
<b>Building renovation</b>							
<b>Imprendiroma</b>	20.5	416%	176%	5.0	24%	4.3	2.1
<b>Edilizia Acrobatica</b>	86.9	95%	52%	21.3	24%	11.1	3.6
<b>Teicos UE</b>	24.0	224%	66%	3.4	14%	1.8	-3.3
<b>Teicos Costruzioni</b>	6.7	257%	19%	1.0	15%	0.5	-2.5
<b>Mean</b>		<b>248%</b>	<b>78%</b>		<b>20%</b>		
<b>Tech brokerage</b>							
<b>Casavo</b>	103.5	205%	173%	-17.1	-17%	-26.2	-56.6
<b>Immobiliare.it</b>	92.1	11%	10%	26.4	29%	24.8	36.6
<b>Idealista</b>	55.0	156%	48%	5.7	10%	-10.5	19.9
<b>Mean</b>		<b>124%</b>	<b>77%</b>		<b>7%</b>		

Source: EnVent Research on AIDA and companies' financial statements

#### Key takeaways:

- Revenues range mostly between €10-50m, with exceptions such as Tech brokers, with different business models
- Uneven revenue growth, depending also upon the growth stage and possible impact of transactions. Consistency as to YoY in the Brokerage cluster, with recovery of transactions after pandemic years. Tech real estate brokerage have enjoyed significant growth being nascent businesses.
- Unconsistent profitability, also for possible effects of intercompany sharing policies or charges for subsidiaries of international groups
- Except for a few cases, no financial debt
- Comparison with Gabetti: BU Agency and corporate revenues higher than revenues of competitors (aggregated); BU Real estate network revenues represented for 85% by building renovation services; Segment profitability not comparable among different business mix and models

## 6. MARKET METRICS

### Market value of real estate listed companies

The real estate industry ecosystem includes different actors along the investing and services markets, which include investment, development and letting and an array of B2B and B2C services, such as investment firms, developers, brokers, property and facility managers, renovation companies, asset managers, fund managers, lenders, appraisers and other professional service providers.

Looking at listed real estate service firms, those who should be more comparable to Gabetti, we note that some of them are global organizations, with a comprehensive offer, in some cases also including investments, while others operate delimited portions of business or are market-segment specialists.

### Selection criteria of peers

Key factors:

- Core business in brokerage and real estate services
- Multi-suite service mix
- Direct broker or franchisor business model
- Exposure to building renovation and retrofitting
- Market segments: all
- Geographical scope: multinational or national

### Industry players segmentation

We have reviewed listed companies meeting the above criteria to identify industry players comparable to Gabetti, to detect performance consistencies and other peculiarities that may help understand the market sentiment and its relevance with market values.

We have segmented the selected real estate services public companies into clusters based on business mix and models:

- **Real estate services firms** - Groups with a comprehensive investment and service offering including brokerage, property management, advisory and valuation - CBRE, Jones Lang LaSalle, Cushman & Wakefield, Newmark, Colliers International, Savills, Foxtons, Abitare In
- **Franchisors** - Franchisors of real estate and mortgage brokerages - Anywhere, RE/MAX, LSL Property Services, Belvoir
- **Facility management and building renovation specialists** - Providers of integrated services for urban renewal, building renovation and facility management - Imprendiroma, ABM Industries, Mears, City Service, Edilizia Acrobatica
- **Property managers** - Short/medium-term rental property managers - Vacasa, Sonder, Home To Go, CleanBnB, G Rent (Gabetti 16% subsidiary)
- **Tech real estate brokers** - Online residential real estate companies and listing platforms - Compass, Redfin, Zillow, Fathom

## Key data comparison

Company	Revenues				EBITDA Margin %				Net income (loss)	Net (debt) cash	Market cap
	2022 (€m)	YoY % 2022 on 21	2018-22 CAGR %	2022-25E CAGR %	2022	5Y avg	5Y min	5Y max	2022 (€m)	2022 (€m)	current (€m)
<b>Gabetti</b>	<b>152</b>	<b>-9%</b>	<b>34%</b>	<b>3%</b>	<b>18%</b>	<b>7%</b>	<b>-1%</b>	<b>18%</b>	<b>15</b>	<b>-12</b>	<b>48</b>
<b>Real estate services firms</b>											
CBRE	28,846	18%	12%	6%	7%	7%	7%	8%	1,317	-2,119	22,270
Jones Lang LaSalle	19,521	15%	25%	5%	6%	8%	6%	11%	612	-2,463	6,770
Cushman & Wakefield	9,456	15%	7%	3%	7%	5%	3%	8%	184	-2,873	1,917
Colliers	4,173	16%	14%	4%	14%	12%	11%	14%	43	-1,774	4,109
Newmark	2,532	-1%	9%	1%	17%	13%	5%	17%	78	-1,100	1,082
Savills	2,591	1%	7%	4%	8%	8%	6%	10%	135	34	1,440
Foxtons	158	5%	6%	6%	12%	2%	-12%	12%	10	-39	138
Abitare In	26	-53%	nm	95%	61%	nm	20%	nm	8	-116	134
<b>Mean</b>		<b>2%</b>	<b>11%</b>	<b>15%</b>	<b>16%</b>	<b>8%</b>	<b>6%</b>	<b>11%</b>			
<b>Median</b>		<b>10%</b>	<b>9%</b>	<b>5%</b>	<b>10%</b>	<b>8%</b>	<b>6%</b>	<b>11%</b>			
<b>Franchisors</b>											
Anywhere Real Estate	6,464	-8%	5%	-5%	7%	10%	7%	11%	-269	-3,103	652
LSL Property Services	363	-7%	0%	-11%	12%	14%	12%	15%	-72	27	310
RE/MAX	331	14%	16%	2%	26%	31%	26%	44%	6	-360	322
Belvoir	38	8%	26%	3%	29%	34%	29%	39%	8	1	93
<b>Mean</b>		<b>2%</b>	<b>12%</b>	<b>-3%</b>	<b>18%</b>	<b>22%</b>	<b>18%</b>	<b>27%</b>			
<b>Median</b>		<b>0%</b>	<b>10%</b>	<b>-2%</b>	<b>19%</b>	<b>22%</b>	<b>19%</b>	<b>27%</b>			
<b>Facility management and building renovation specialists</b>											
ABM Industries	7,895	47%	9%	-0.04%	6%	6%	5%	7%	233	-1,354	2,852
Mears	1,082	3%	6%	-2%	5%	4%	1%	6%	32	-141	336
City Service	84	6%	-15%	na	8%	7%	5%	11%	-5	-16	43
EdiliziAcrobatica	134	53%	52%	14%	22%	16%	9%	24%	15	12	132
Imprendiroma	47	121%	159%	24%	21%	17%	11%	23%	7	4	41
<b>Mean</b>		<b>46%</b>	<b>42%</b>	<b>9%</b>	<b>12%</b>	<b>10%</b>	<b>6%</b>	<b>14%</b>			
<b>Median</b>		<b>47%</b>	<b>9%</b>	<b>7%</b>	<b>8%</b>	<b>7%</b>	<b>5%</b>	<b>11%</b>			
<b>Property managers</b>											
Vacasa	1,112	42%	61%	2%	-5%	-11%	-22%	-5%	-311	118	163
Sonder	431	111%	50%	30%	-56%	-117%	-196%	-56%	-155	-1,171	143
HomeToGo	147	55%	49%	23%	-36%	-64%	-133%	-23%	-53	137	365
CleanBnB	9	132%	57%	24%	-2%	-34%	-76%	-2%	-0.2	4	9
G Rent	2	-4%	na	na	-43%	nm	nm	nm	-1.0	1	9
<b>Mean</b>		<b>67%</b>	<b>54%</b>	<b>20%</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>			
<b>Median</b>		<b>55%</b>	<b>53%</b>	<b>23%</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>			

Source: EnVent Research on S&P Capital IQ and companies' financial statements, June 2023

### Summary: Gabetti versus peers

- Scale and scope of operations as main differences
- High-end positioning as to 5Y revenue CAGR
- Recent profitability above most industry players

### Comparability assessment

Key takeaways:

- Some of the global real estate services firms are also investment firms with development business; Abitare In, included in the cluster, is a developer of residential properties
- Scope and breadth of operations in most cases is multinational
- Except for a few cases, size is a major comparability issue
- Lack of fully comparable listed companies with a similar scope of operations (Italy):

Abitare In is not a proper comparable company, but it is reported being one of the few listed companies in the real estate environment in Italy

### Market multiples

Company	EV/REVENUES				EV/EBITDA				EV/EBIT				P/E			
	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E
<b>Gabetti</b>	<b>0.5x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>2.9x</b>	<b>3.3x</b>	<b>3.0x</b>	<b>2.8x</b>	<b>5.8x</b>	<b>32.4x</b>	<b>8.9x</b>	<b>7.0x</b>	<b>4.3x</b>	<b>37.4x</b>	<b>9.4x</b>	<b>7.3x</b>
<b>Real estate services firms</b>																
CBRE	0.9x	0.9x	0.8x	0.8x	12.9x	11.1x	10.0x	9.3x	18.5x	19.4x	15.2x	13.1x	16.9x	16.0x	13.6x	12.5x
Jones Lang LaSalle	0.5x	0.5x	0.5x	0.5x	7.8x	10.7x	8.8x	8.1x	10.6x	15.3x	11.5x	10.3x	11.6x	12.1x	9.4x	8.4x
Cushman & Wakefield	0.6x	0.5x	0.5x	0.5x	8.5x	8.1x	6.4x	5.7x	10.8x	10.6x	7.5x	7.0x	14.3x	8.2x	5.1x	4.5x
Colliers	1.6x	1.7x	1.6x	1.5x	11.3x	11.4x	10.4x	10.0x	15.9x	19.3x	17.8x	18.7x	85.3x	14.2x	11.9x	11.3x
Newmark	1.1x	1.3x	1.2x	1.1x	6.3x	8.1x	6.7x	5.8x	9.3x	12.0x	8.5x	7.3x	16.4x	4.6x	3.6x	3.1x
Savills	0.5x	0.5x	0.5x	0.5x	6.1x	6.4x	5.5x	4.9x	7.1x	9.3x	7.6x	6.9x	9.6x	12.7x	10.4x	9.3x
Foxtons	0.9x	1.1x	1.0x	0.9x	7.4x	5.8x	5.0x	4.7x	9.0x	11.8x	8.9x	7.4x	9.9x	13.9x	10.6x	8.4x
Abitare In	10.7x	1.2x	1.4x	1.5x	17.5x	3.5x	5.5x	5.5x	18.2x	3.6x	5.7x	5.7x	19.3x	2.6x	4.2x	4.3x
<b>Mean</b>	<b>2.1x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>9.7x</b>	<b>8.1x</b>	<b>7.3x</b>	<b>6.8x</b>	<b>12.4x</b>	<b>12.7x</b>	<b>10.3x</b>	<b>9.5x</b>	<b>22.9x</b>	<b>10.5x</b>	<b>8.6x</b>	<b>7.7x</b>
<b>Median</b>	<b>0.9x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>8.2x</b>	<b>8.1x</b>	<b>6.5x</b>	<b>5.8x</b>	<b>10.7x</b>	<b>11.9x</b>	<b>8.7x</b>	<b>7.4x</b>	<b>15.4x</b>	<b>12.4x</b>	<b>9.9x</b>	<b>8.4x</b>
<b>Franchisors</b>																
Anywhere Real Estate	0.6x	0.7x	0.7x	n.a.	8.4x	13.9x	9.3x	8.1x	15.3x	nm	23.1x	21.7x	neg	neg	22.4x	8.0x
LSL Property Services	0.7x	1.1x	1.2x	1.1x	6.0x	6.8x	6.0x	5.4x	7.5x	10.0x	8.0x	7.0x	neg	15.1x	12.1x	10.6x
RE/MAX	0.8x	0.9x	0.8x	0.8x	3.0x	2.9x	2.7x	2.3x	4.9x	6.4x	5.8x	na	nm	8.3x	6.9x	5.6x
Belvoir	2.1x	2.5x	2.3x	2.2x	7.4x	8.2x	7.5x	7.3x	8.0x	8.5x	7.8x	7.6x	9.8x	11.1x	10.4x	10.0x
<b>Mean</b>	<b>1.1x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>nm</b>	<b>6.2x</b>	<b>8.0x</b>	<b>6.4x</b>	<b>nm</b>	<b>8.9x</b>	<b>8.3x</b>	<b>11.2x</b>	<b>nm</b>	<b>nm</b>	<b>11.5x</b>	<b>13.0x</b>	<b>nm</b>
<b>Median</b>	<b>1.1x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>nm</b>	<b>6.2x</b>	<b>8.0x</b>	<b>6.4x</b>	<b>nm</b>	<b>8.9x</b>	<b>8.3x</b>	<b>11.2x</b>	<b>nm</b>	<b>nm</b>	<b>11.5x</b>	<b>13.0x</b>	<b>nm</b>
<b>Facility management and building renovation specialists</b>																
ABM Industries	0.5x	0.6x	0.5x	0.5x	8.7x	8.5x	8.2x	8.0x	11.5x	11.0x	10.3x	9.7x	11.7x	13.1x	11.9x	11.1x
Mears	0.4x	0.5x	0.5x	0.5x	7.2x	4.2x	4.2x	4.1x	8.7x	9.9x	10.3x	10.0x	8.2x	10.9x	11.6x	11.3x
City Service	0.7x	na	na	na	9.2x	na	na	na	14.3x	na	na	na	neg	na	na	na
EdiliziAcrobatica	0.9x	0.7x	0.7x	0.6x	4.0x	3.7x	3.5x	3.0x	4.1x	4.0x	3.8x	3.3x	8.5x	7.1x	6.5x	5.5x
Imprendiroma	1.0x	0.4x	0.5x	0.4x	4.7x	1.9x	2.1x	1.8x	4.9x	2.0x	2.1x	1.8x	7.5x	3.1x	3.3x	2.9x
<b>Mean</b>	<b>0.7x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>6.8x</b>	<b>4.6x</b>	<b>4.5x</b>	<b>4.2x</b>	<b>8.7x</b>	<b>6.7x</b>	<b>6.6x</b>	<b>6.2x</b>	<b>9.0x</b>	<b>8.5x</b>	<b>8.3x</b>	<b>7.7x</b>
<b>Median</b>	<b>0.7x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>6.8x</b>	<b>4.6x</b>	<b>4.5x</b>	<b>4.2x</b>	<b>8.7x</b>	<b>6.7x</b>	<b>6.6x</b>	<b>6.2x</b>	<b>9.0x</b>	<b>8.5x</b>	<b>8.3x</b>	<b>7.7x</b>
<b>Combined Mean</b>	<b>1.4x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>8.0x</b>	<b>7.2x</b>	<b>6.4x</b>	<b>5.9x</b>	<b>10.5x</b>	<b>10.2x</b>	<b>9.6x</b>	<b>9.2x</b>	<b>17.6x</b>	<b>10.2x</b>	<b>9.6x</b>	<b>7.9x</b>
<b>Combined Median</b>	<b>0.8x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>0.8x</b>	<b>7.4x</b>	<b>7.4x</b>	<b>6.2x</b>	<b>5.6x</b>	<b>9.3x</b>	<b>10.0x</b>	<b>8.2x</b>	<b>7.4x</b>	<b>11.6x</b>	<b>11.1x</b>	<b>10.4x</b>	<b>8.4x</b>
<b>Property managers</b>																
Vacasa	0.4x	0.3x	0.2x	0.2x	neg	136.2x	8.7x	4.6x	neg	neg	neg	neg	neg	neg	neg	neg
Sonder	3.3x	2.3x	1.8x	1.4x	neg	neg	58.5x	nm	neg	neg	neg	neg	neg	neg	neg	1.5x
HomeToGo	1.0x	1.6x	1.2x	1.0x	neg	nm	22.6x	10.2x	neg	neg	neg	nm	neg	neg	neg	nm
CleanBnB	0.5x	0.4x	0.3x	0.3x	neg	5.6x	3.6x	2.5x	neg	10.1x	5.0x	3.4x	neg	43.9x	14.6x	8.8x
G Rent	7.1x	na	na	na	neg	na	na	na	neg	na	na	na	neg	na	na	na
<b>Mean</b>	<b>2.5x</b>	<b>1.1x</b>	<b>0.9x</b>	<b>0.7x</b>	<b>nm</b>	<b>nm</b>	<b>23.3x</b>	<b>5.8x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
<b>Median</b>	<b>2.5x</b>	<b>1.1x</b>	<b>0.9x</b>	<b>0.7x</b>	<b>nm</b>	<b>nm</b>	<b>23.3x</b>	<b>5.8x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
<b>Tech real estate brokers</b>																
Compass	0.2x	0.4x	0.4x	0.3x	neg	nm	11.9x	7.1x	neg	neg	neg	neg	neg	neg	26.6x	na
Redfin	0.6x	1.8x	1.7x	1.5x	neg	neg	53.8x	24.3x	neg	neg	neg	neg	neg	neg	neg	neg
Zillow	3.1x	4.7x	4.2x	3.6x	nm	24.0x	16.3x	11.9x	neg	neg	neg	nm	neg	39.9x	24.0x	16.5x
Fathom	0.2x	0.3x	0.3x	0.2x	neg	neg	35.4x	9.5x	neg	neg	neg	neg	neg	neg	neg	11.6x
<b>Mean</b>	<b>1.0x</b>	<b>1.8x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>nm</b>	<b>24.0x</b>	<b>29.4x</b>	<b>13.2x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>25.3x</b>	<b>nm</b>
<b>Median</b>	<b>0.4x</b>	<b>1.1x</b>	<b>1.1x</b>	<b>0.9x</b>	<b>nm</b>	<b>24.0x</b>	<b>25.9x</b>	<b>10.7x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>25.3x</b>	<b>nm</b>

Source: EnVent Research on S&P Capital IQ, 09/06/2023

## 7. FINANCIAL ANALYSIS AND PROJECTIONS

### A brand new Gabetti, with an evolving business model and a restored financial performance

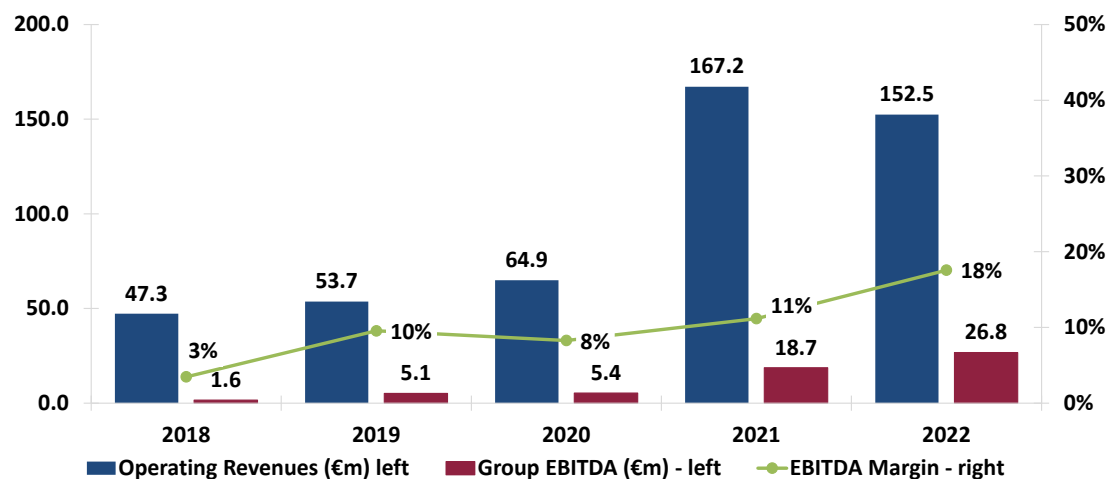
Gabetti has grown organically, establishing new business lines, and through acquisitions, complementing the historical core business of brokerage with a full range of real estate services. Over the last five years group operating revenues have more than tripled, from €47m in 2018 to €152m in 2022 (34% CAGR). The substantial growth over last two years comes mainly from building renovation advisory services, which contributed €100m in 2021 and €71m in 2022, from €15m in 2020, boosted by tax benefits.

Operating profitability has also upgraded, with EBITDA margin rising from 3% in 2018 to an average of 10% between 2019-21 and 18% in 2022.

#### 5Y Historical financial performance

Step up in FY21 revenues driven by building renovations boosted by tax benefits

Record profits in FY22



Source: Company data

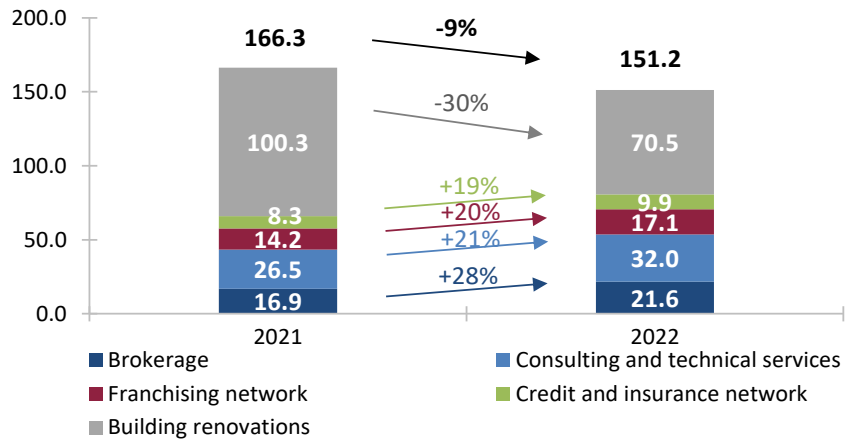
#### Revenue and profitability analysis

Gabetti recorded consolidated operating revenues of €152m in FY22, -9% YoY. The decrease followed the downsizing of tax benefits for building renovations, whose revenues dropped from €100m in 2021 to €71m in 2022. According to management, without this effect revenue growth would have been over 20% YoY. Nevertheless, it was a record year for profits: EBITDA was €26.8m, 18% margin, from 11% in FY21, up by 44% YoY, benefitting from actions on operating costs and building renovation business. EBIT was €13.6m (9% margin), impacted by €10.3m one-off write-down of trade receivables almost entirely attributable to the building renovation business and after €2.7m D&A. Consolidated net income was €14.5m (10% margin), up by 20% YoY, of which group portion was €11.6m.

#### Segment performance

Effective since FY21 reporting, operations were reorganized into two business units: Agency and Corporate, including direct brokerage and professional technical services; Real Estate network, including real estate franchisors, building renovation and condo administration, financial services networks.

**Revenue breakdown by services (€m)**



Source: Company data

**All services up, except for renovations impacted by regulatory changes**

FY22 revenue breakdown: Agency and Corporate BU generated €54m revenues, up by 23% YoY, driven by direct brokering - agency (+28%) and consulting and technical services (+21%); Real Estate network BU reported €98m revenues, down by 20% YoY, of which, as commented, €71m from building renovations (-30%), €17m from real estate franchising (+20%) and €10m from financial services network (+19%).

Both BUs delivered a good performance as to EBITDA, 11% margin for Agency and Corporate (from 9% in FY21) and 22% margin for Real Estate network (from 12% in FY21).

Balance sheet and cash flow analysis

Trade receivables as of year-end 2022 were €192m, of which around €150m generated by the building renovation business, and trade payables were €154m. Trade Working Capital was €38m, 25% of revenues. Non-current assets are mainly made by goodwill (€7.9m) and property, plant and equipment (€6.7m). Net financial debt was €12m as of year-end 2022, from €10.9m as of June 2022 and €8.2m as of year-end 2021. Net of IFRS 16 accounting of leases, FY22 net financial debt would be €6m.

Operating cash flow before WC and capex was €17.7m, with an EBITDA cash conversion ratio of 66%. Trade Working Capital and capital expenditure absorbed, respectively, €15.7m and €2.0m, resulting in breakeven.

Cash inflows were misaligned compared to revenue growth since tax benefits for building renovations are subject to deferrals, given the timing mismatch of revenue accrual, billing and collection; in addition in 2022 there was a stop to receivables sale by general contractors to lending institutions.

**Current trading in Q1 2023**

**Period results impacted by changes in tax incentives schemes to building renovation and retrofitting works**

Operating revenues in Q1 2023 were €26.4m, -38% on Q1 2022, after a slowdown in the building renovation business after Government changes in related tax incentives. Disregarding this impact, revenues would have been up by 4%, according to management. More in detail, Agency and Corporate BU revenues went up by 13%, driven by Consulting and technical services at +23%, while Agency recorded -5%, due to decreasing luxury investment volumes in Q1. Real Estate network BU revenues overall decreased by 58%, with Gabetti Lab dropping by 70%, while the Financial network performed well with +18%; the deconsolidation of

Professionecasa network is the source of a 25% downsizing of revenues of the Real Estate franchising network. EBITDA was €3m, more than halved compared to Q1 2022. Segment profitability: Agency and Corporate services BU with 29% increase in EBITDA, from 9% on revenues in Q1 2022 to 11% in Q1 2023; Real Estate network BU recorded a decrease also in EBITDA, from 18% in Q1 2022 to 14% in Q1 2023. EBIT was €0.6m and period result was a breakeven. Q1 2023 net financial debt increased at €14.5m, from €12m as of year-end 2022.

**Reshaping Group operations in the building renovation business**

The evolving Italian regulatory and tax incentives framework has led to readdress the group strategy and operations in the building renovation business, by introducing an additional revenue stream represented by a direct general contractor activity. We recall that the existing business consists in advisory services to general contractors engaged in building renovation and retrofitting works. The additional business has been introduced in Q1 (€0.4m revenues) and it is expected to generate a significant turnover in Q2, partially recovering the Q1 drop, while with a different mix of revenues.

**Impact on short-term profitability**

Given the ongoing reshaping of operations in the building renovation business and the remodulation of related tax incentives in the next few years, we expect that the short-term growth would require investments in working capital and financing needs, as such, we envisage for the next few years fluctuations in operating income and net profits. Another contingent factor strictly connected with the present bonus-eligible portfolio would be the market-wide uncertainties on recoverability of related receivables, which have been included in our estimates purposely as material amounts.

**Our estimates**

**Use of market data and trends**

- The outlook for the Italian residential market envisages a weakening in transactions volumes in 2023 at -13% YoY, given the current scenario of increasing interest rates, and overall stability in 2024 (-1%); corporate investments too are expected declining in both 2023 and 2024, at respectively -7% and -9% YoY (source: Nomisma - see Chapter 3)
- Industry analyses tell that most growth expectation indicators for real estate services firms and franchisors fall within the 2-6% range
- Buildings maintenance, renovation and retrofitting works are expected to persist, given the status of the Italian building stock and the EU targets, despite the remodulation of national tax benefits, which however could open opportunities in certain segments

**Key growth drivers and risk profile**

- Continuity of relationships with B2B clients
- Service portfolio diversification and extensive range of services
- Cross-selling opportunities between business segments
- Industry specializations and focus on luxury properties
- Geographical coverage
- Introduction of General contractor activity
- Promising niches such as silver economy, student housing, supported housing, private

rented sector, co-living and short rental as catalyst factors for growth

In the framework of our *medium risk profile* assessment, we consider that according to size, competitive positioning, span of services and industry specializations, Gabetti perspective looks promising in the most dynamic market segments with room to gain market shares in several business areas and that revenue and profitability fluctuations are inherent in the ongoing initiatives.

### Estimates construction

Our industry analysis and Gabetti performance through the years lead to continuity growth assumptions for 2023-25E.

<b>Assumptions</b>	
<b>Revenues</b>	Revenues built per business segment and revenue model: <ul style="list-style-type: none"> <li>- Brokerage: 6% 2022-25E CAGR, factoring in a possible slowdown in corporate and luxury transactions in 2023</li> <li>- Consulting and technical services: 3% 2022-25E CAGR, a more moderate growth rate given the critical size of the business already achieved</li> <li>- Franchising network: after the deconsolidation of Professionecasa and Grimaldi networks in H2 2022 and H1 2023, the 2023-25E like-for-like revenue CAGR for Gabetti Franchising would be 20%, from ca. €10m revenues in 2023 to the Group announced target of €15m in 2025</li> <li>- Credit and insurance: 10% 2022-25E CAGR</li> <li>- Building renovations: 2% 2022-25E CAGR, factoring in a different revenue mix as per Group strategy: set-up and significant growth of operations for the newly started General contractor business in 2023 and 2024; ongoing operations in the pre-existing building renovation business, with turnover reduction in 2023 and recovery in the following years by diversifying in new segments; downsizing of turnover since 2025 for substantial reduction in tax incentives</li> <li>- Other income 1% of revenues</li> </ul>
<b>Operating costs</b>	<ul style="list-style-type: none"> <li>- Services broken down as Cost of services (mainly cost of renovations), Marketing and sales, G&amp;A: 70-75% of revenues</li> <li>- Personnel around 10% of revenues</li> <li>- Other operating expenses around 4-5% of revenues</li> </ul>
<b>Other P&amp;L items</b>	<ul style="list-style-type: none"> <li>- Write-down of trade receivables of the building renovation business stable in 2023E at 2022 level (€10m), halved in 2024-25E</li> <li>- Interest including fees on sale of trade receivables arising in the building renovation business</li> </ul>
<b>Income taxes</b>	<ul style="list-style-type: none"> <li>- Corporate tax (IRES): 24%</li> <li>- Regional tax (IRAP): 3.90%</li> </ul>
<b>Working capital</b>	<ul style="list-style-type: none"> <li>- Trade Working Capital:               <ul style="list-style-type: none"> <li>- DSO 360 to 330, historical, mostly function of the building renovation business</li> <li>- DPO 300 to 270, historical</li> </ul> </li> <li>- Other assets (liabilities) historical</li> </ul>

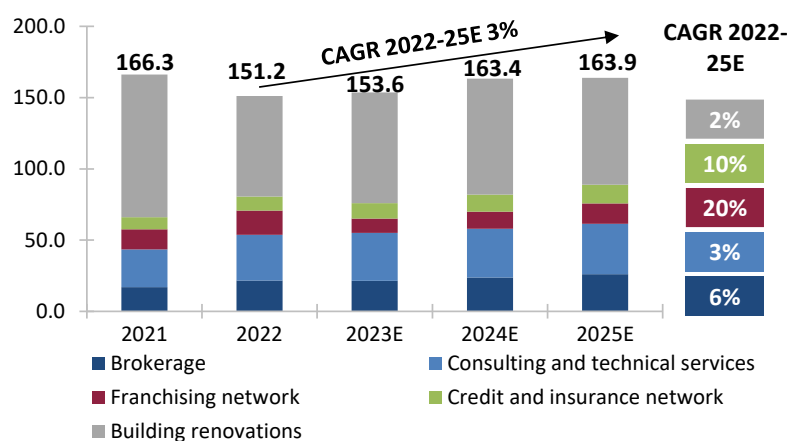


<b>Capex</b>	- 1% of revenues in tangible assets and 0.5% in intangibles, historical
<b>Financial debt</b>	- Long-term financial debt estimated according to repayment schemes, where available
<b>Equity</b>	- No dividend distribution

Source: EnVent Research

## Financial projections

### Revenue evolution by services (€m)



Source: Company data 2021-22A, EnVent Research 2023-25E - Note: 2021-22 revenues also include a portion of other income reclassified within the related service; Franchising network CAGR calculated on 2023 data after deconsolidation of Professionecasa and Grimaldi networks

### Consolidated Profit and Loss

€m	2021	2022	2023E	2024E	2025E
Revenues	165.5	150.2	153.6	163.4	163.9
Other income	1.8	1.6	1.5	1.6	1.6
<b>Total Revenues</b>	<b>167.3</b>	<b>151.8</b>	<b>155.2</b>	<b>165.0</b>	<b>165.5</b>
YoY %	153.7%	-9.3%	2.2%	6.4%	0.3%
Services	(129.7)	(104.6)	(113.7)	(119.9)	(116.0)
Personnel	(14.9)	(16.0)	(15.4)	(16.3)	(18.0)
Other operating expenses	(4.1)	(4.3)	(6.1)	(6.5)	(7.4)
Operating costs	(148.6)	(125.0)	(135.3)	(142.7)	(141.5)
<b>EBITDA Adjusted</b>	<b>18.7</b>	<b>26.8</b>	<b>19.9</b>	<b>22.3</b>	<b>24.1</b>
Margin	11.2%	17.7%	12.8%	13.5%	14.6%
Write-down of receivables	(2.6)	(10.3)	(10.0)	(5.0)	(5.0)
Provisions and other costs	(0.6)	(0.2)	0.0	0.0	0.0
<b>EBITDA</b>	<b>15.4</b>	<b>16.3</b>	<b>9.9</b>	<b>17.3</b>	<b>19.1</b>
Margin	9.2%	10.7%	6.4%	10.5%	11.5%
D&A	(2.6)	(2.7)	(2.9)	(3.4)	(3.9)
<b>EBIT</b>	<b>12.8</b>	<b>13.6</b>	<b>7.0</b>	<b>13.9</b>	<b>15.2</b>
Margin	7.7%	9.0%	4.5%	8.4%	9.2%
Interest	(0.5)	(1.0)	(4.9)	(6.4)	(5.7)
Capital gain	0.0	1.5	0.0	0.0	0.0
Write-down of investments and financial receivables	(0.6)	(1.0)	0.0	0.0	0.0
<b>EBT</b>	<b>11.7</b>	<b>13.1</b>	<b>2.1</b>	<b>7.4</b>	<b>9.4</b>
Margin	7.0%	8.6%	1.3%	4.5%	5.7%
Income taxes	0.5	1.5	(0.8)	(2.3)	(2.9)
<b>Net Income (Loss)</b>	<b>12.2</b>	<b>14.5</b>	<b>1.3</b>	<b>5.1</b>	<b>6.6</b>
Margin	7.3%	9.6%	0.8%	3.1%	4.0%

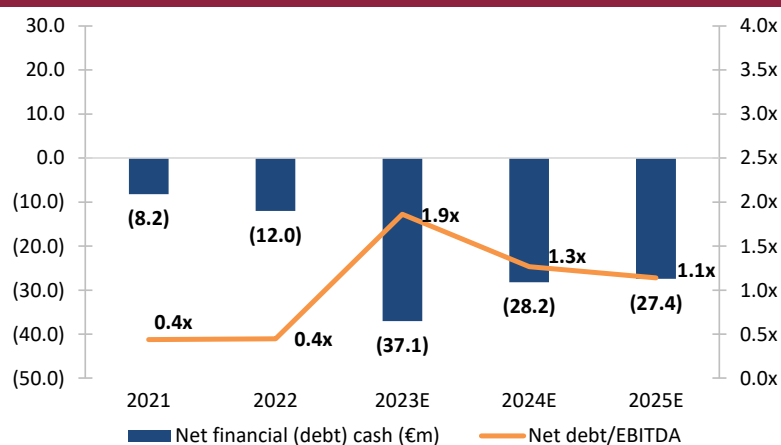
Source: Company data 2021-22A, EnVent Research 2023-25E

### Consolidated Balance Sheet

€m	2021	2022	2023E	2024E	2025E
Trade receivables	134.0	192.3	184.9	180.3	180.8
Trade payables	(111.8)	(154.5)	(120.2)	(118.3)	(111.4)
Trade Working Capital	22.2	37.8	64.6	62.0	69.4
Other assets (liabilities)	0.1	0.2	0.2	0.2	0.2
<b>Net Working Capital</b>	<b>22.3</b>	<b>38.0</b>	<b>64.8</b>	<b>62.2</b>	<b>69.6</b>
Intangible assets	1.3	1.4	1.5	1.5	1.3
Goodwill	8.2	7.9	7.9	7.9	7.9
Property, plant and equipment	7.1	6.7	6.1	5.2	3.9
Equity investments and financial assets	1.0	1.1	1.1	1.1	1.1
<b>Non-current assets</b>	<b>17.6</b>	<b>17.1</b>	<b>16.5</b>	<b>15.6</b>	<b>14.1</b>
<b>Provisions</b>	<b>(5.1)</b>	<b>(5.1)</b>	<b>(5.0)</b>	<b>(5.1)</b>	<b>(5.3)</b>
<b>Net Invested Capital</b>	<b>34.8</b>	<b>50.0</b>	<b>76.4</b>	<b>72.6</b>	<b>78.4</b>
<b>Net Debt (Cash)</b>	<b>8.2</b>	<b>12.0</b>	<b>37.1</b>	<b>28.2</b>	<b>27.4</b>
<b>Equity</b>	<b>26.6</b>	<b>38.0</b>	<b>39.3</b>	<b>44.4</b>	<b>51.0</b>
<b>Sources</b>	<b>34.8</b>	<b>50.0</b>	<b>76.4</b>	<b>72.6</b>	<b>78.4</b>

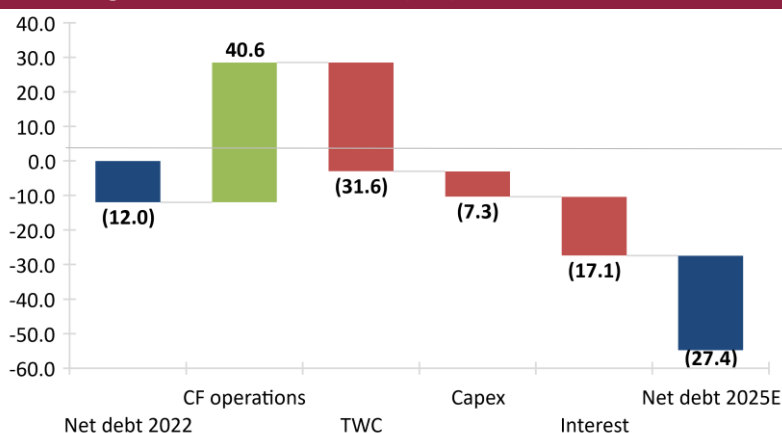
Source: Company data 2021-22A, EnVent Research 2023-25E

### Net financial debt (€m) and net debt/EBITDA (x) 2022-25E



Source: Company data 2021-22A, EnVent Research 2023-25E

### Net financial debt bridge cumulative 2022-25E (€m)



Source: Company data 2022A, EnVent Research 2023-25E

### Cash Flow

€m	2022	2023E	2024E	2025E
<b>EBIT</b>	<b>13.6</b>	<b>7.0</b>	<b>13.9</b>	<b>15.2</b>
Current taxes	1.5	(0.8)	(2.3)	(2.9)
D&A	2.7	2.9	3.4	3.9
Provisions	(0.1)	(0.1)	0.1	0.2
<b>Cash flow from P&amp;L operations</b>	<b>17.7</b>	<b>9.1</b>	<b>15.1</b>	<b>16.4</b>
Trade Working Capital	(15.7)	(26.8)	2.7	(7.4)
Other assets and liabilities	(0.1)	(0.0)	(0.0)	(0.0)
Capex	(2.0)	(2.3)	(2.5)	(2.5)
<b>Operating cash flow after WC and capex</b>	<b>(0.0)</b>	<b>(20.1)</b>	<b>15.3</b>	<b>6.5</b>
Interest	(1.0)	(4.9)	(6.4)	(5.7)
Capital gain	1.5	0.0	0.0	0.0
Write-down of investments and financial receivables	(1.0)	0.0	0.0	0.0
Equity investments and financial assets	(0.1)	0.0	0.0	0.0
Paid-in capital	0.0	0.0	0.0	0.0
Changes in Equity	(3.1)	0.0	0.0	0.0
<b>Net cash flow</b>	<b>(3.8)</b>	<b>(25.0)</b>	<b>8.8</b>	<b>0.8</b>
Net Debt (Beginning)	(8.2)	(12.0)	(37.1)	(28.2)
Net Debt (End)	(12.0)	(37.1)	(28.2)	(27.4)
<b>Change in Net Debt (Cash)</b>	<b>(3.8)</b>	<b>(25.0)</b>	<b>8.8</b>	<b>0.8</b>

Source: Company data 2021-22A, EnVent Research 2023-25E

### Ratio analysis

KPIs	2021	2022	2023E	2024E	2025E
ROE	46%	38%	3%	12%	13%
ROS (EBIT/Revenues)	8%	9%	5%	8%	9%
ROIC (NOPAT/Invested Capital)	72%	72%	72%	72%	72%
DSO	242	383	360	330	330
DPO	250	424	300	280	270
TWC/Revenues	13%	25%	42%	38%	42%
NWC/Revenues	13%	25%	42%	38%	42%
Net Debt/EBITDA adj	0.4x	0.4x	1.9x	1.3x	1.1x
Net Debt/Equity	0.3x	0.3x	0.9x	0.6x	0.5x
Net Debt/(Net Debt+Equity)	0.2x	0.2x	0.5x	0.4x	0.3x
Cash flow from P&L operations/EBITDA	0%	66%	46%	68%	68%
FCF/EBITDA	neg	neg	neg	68%	27%
Basic EPS (€)	0.137	0.193	0.017	0.068	0.087
Book Value per share (€)	0.371	0.567	0.584	0.651	0.739

Source: Company data 2021-22A, EnVent Research 2023-25E

## 8. VALUATION

### **Gabetti in the growth and value-building mood, after having built a solid profile of leading Italian real estate services firm**

#### **Valuation topics**

The profile of Gabetti is that of real estate services firm with over seven decades experience, positioned among the largest Italian real estate companies. After the successful completion of a debt restructuring agreement and being out of the financial distress, last years financial performance confirmed an expansion phase and recovery of the growth path.

Gabetti reputation and comprehensive service offering, in our view, are a right mix to catch the evolving market opportunities. However, the value expectation depends on the ability to navigate the challenges of the cyclical real estate market and face exogenous events, with continuity in revenue growth and normalized profitability.

#### **Value drivers**

- Service portfolio extensive range and service capability
- Continuity of relationships with clients
- Business mix balanced between defensive and a more cyclical businesses
- *Medium risk profile* as per competition analysis
- Revenue model mainly made of variable costs, limited overheads

#### **Relevant market metrics and valuation issues**

- Italian real estate market set to grow at a moderate pace in the medium/long-term
- Industry revenue growth - most global RE services companies - within the 2-6% range; higher rates for building renovation and property management peers
- Based on our projections, overall Gabetti 3% revenue CAGR 2022-25E, based on the perspective of different streams and diversified revenue mix; net of renovations impacted by tax incentives and divested RE franchising 2022-25E revenue growth over 5% CAGR
- Average historical 5Y EBITDA margin of peers in the region of 8-17%, dependent on business mix. Gabetti long-run target of 15% within the industry benchmarks.
- We assume that in the long-run competition will drive Gabetti performance to be in line with market, therefore normalizing margins and growth rates
- Gabetti is in a phase of both expansion and transition. In such a flip-phase, sustained by recent positive financial performance and operations and even more rewarding expectations, the primary valuation issue is to deal with the unusually concurrent risk of both underestimating or overestimating a fair value. Past history suggests prudence, the market and competitive environments suggest opportunities.
- The valuation is run in a framework of high volatility, including domestic and international turbulence and a rising inflation perspective: certain value determinants may be subject to judgmental adjustments

- The uncertainties on short-term fluctuations of funding and receivables on the renovation portfolio impact profitability metrics for the next two years, while we expect a normalization for the following years. As a consequence, EBIT and P/E multiples would diverge significantly from those based on revenues and operating profit free of non-recurring items.

## Valuation metrics

The valuation of Gabetti has been performed through:

- Discounted Cash Flows
- Market multiples
- Market multiples by BU under the Sum of the Parts approach
- Regression analysis

## Discounted Cash Flows

We have applied the DCF model to our 2023-25E financial projections with the following metrics and assumptions:

- Risk free rate: 3.7% (Italian 10-year government bonds interest rate - last 30 days average. Source: Bloomberg, June 2023)
- Market return: 11.7% (last 30 days average. Source: Bloomberg, June 2023)
- Market risk premium: 8%
- Beta: 1.2 (judgmental)
- Cost of equity: 13.3%
- Cost of debt: 6%
- Tax rate: 24% IRES
- 40% debt/(debt + equity) as target capital structure
- WACC calculated at 9.8%, according to above data
- Perpetual growth rate after explicit projections (G): 2%
- Terminal Value assumes a 12.5% EBITDA margin

**DCF valuation**

€m	2021	2022	2023E	2024E	2025E	Perpetuity
<b>Revenues</b>	<b>167.3</b>	<b>151.8</b>	<b>155.2</b>	<b>165.0</b>	<b>165.5</b>	<b>168.9</b>
<b>EBITDA Adjusted</b>	<b>18.7</b>	<b>26.8</b>	<b>19.9</b>	<b>22.3</b>	<b>24.1</b>	<b>21.1</b>
<i>Margin</i>	<i>11.2%</i>	<i>17.7%</i>	<i>12.8%</i>	<i>13.5%</i>	<i>14.6%</i>	<i>12.5%</i>
<b>EBIT</b>	<b>12.8</b>	<b>13.6</b>	<b>7.0</b>	<b>13.9</b>	<b>15.2</b>	<b>19.4</b>
<i>Margin</i>	<i>7.7%</i>	<i>9.0%</i>	<i>4.5%</i>	<i>8.4%</i>	<i>9.2%</i>	<i>11.5%</i>
Taxes	(3.6)	(3.8)	(1.9)	(3.9)	(4.2)	(5.4)
<b>NOPAT</b>	<b>9.2</b>	<b>9.8</b>	<b>5.0</b>	<b>10.0</b>	<b>10.9</b>	<b>14.0</b>
D&A			2.9	3.4	3.9	1.7
Provisions			(0.1)	0.1	0.2	0.0
<b>Cash flow from operations</b>			<b>7.9</b>	<b>13.5</b>	<b>15.1</b>	<b>15.7</b>
Trade Working Capital			(26.8)	2.7	(7.4)	(2.1)
Other assets and liabilities			(0.0)	(0.0)	(0.0)	0.0
Capex			(2.3)	(2.5)	(2.5)	(1.7)
<b>Unlevered free cash flow</b>			<b>(21.3)</b>	<b>13.7</b>	<b>5.1</b>	<b>11.9</b>
WACC	9.8%					
Long-term growth (G)	2.0%					
<b>Discounted Cash Flows</b>			<b>(19.4)</b>	<b>11.4</b>	<b>3.9</b>	
Sum of Discounted Cash Flows	(4.1)					
<b>Terminal Value</b>						<b>152.2</b>
Discounted TV	114.9					
<b>Enterprise Value</b>	<b>110.8</b>					
Net debt 31/12/22	(12.0)					
Minorities 31/12/22	(3.8)					
<b>Equity Value</b>	<b>94.9</b>					
<b>Equity Value per share (€)</b>	<b>1.57</b>					

<b>DCF - Implied multiples</b>	2021	2022	2023E	2024E	2025E
EV/Revenues	0.7x	0.7x	0.7x	0.7x	0.7x
EV/EBITDA Adj	5.9x	4.1x	5.6x	5.0x	4.6x
EV/EBIT	8.6x	8.1x	15.9x	8.0x	7.3x
P/E	7.8x	6.5x	73.8x	18.5x	14.4x
<b>Discount of current market price vs DCF</b>	<b>-43%</b>				
<b>Current price - Implied multiples</b>	2021	2022	2023E	2024E	2025E
EV/Revenues	0.4x	0.4x	0.4x	0.4x	0.4x
EV/EBITDA Adj	3.4x	2.4x	3.2x	2.9x	2.6x
EV/EBIT	5.0x	4.7x	9.1x	4.6x	4.2x
P/E	3.9x	3.3x	37.1x	9.3x	7.2x

Source: EnVent Research

**Valuation based on market multiples**

- Within the real estate industry, we have identified several peer groups representing benchmarks to Gabetti for applying the typical industry logics. Despite some discrepancies, in principle, the different samples provide a value indication, given that growth is driven by the same factors and dynamics, the exposure to the same reference market, an industry-like business model and continuity of relationships with customers.
- In absence of listed Italian peers exposed to the same market logics, we focus our market multiples analysis on Real estate services firms, while recalling high discrepancy of size, scope and breadth of operations, stage of maturity and profitability, presence of

investment firms with development business, in addition to the Franchisors and the Facility management and building renovation specialists, representing a portion of operations

- Market multiples are typically applied to a short-term projection period, using data which derive from 2Y forward analyst consensus. As anticipated, we attribute a lower reliability to unadjusted profitability multiples which would be abnormally impacted by contingent accruals on receivables and interest charges.
- We have applied to our 2023-24 estimates the corresponding median EV/Revenues, and EV/EBITDA from the peer groups

### Market multiples application

€m								
Gabetti (€m)			Market Multiples	EV	Net debt 31/12/22	Minorities 31/12/22	Equity value	Equity value per share (€)
<b>2023E Revenues</b>	155.2		0.8x	125.1	(12.0)	(3.8)	<b>109.2</b>	1.81
<b>2024E Revenues</b>	165.0		0.8x	124.7	(12.0)	(3.8)	<b>108.9</b>	1.80
Mean				124.9			<b>109.1</b>	1.81
<b>2023E EBITDA Adj</b>	19.9		7.4x	148.2	(12.0)	(3.8)	<b>132.3</b>	2.19
<b>2024E EBITDA Adj</b>	22.3		6.2x	137.9	(12.0)	(3.8)	<b>122.1</b>	2.02
Mean				143.0			<b>127.2</b>	2.11

Source: EnVent Research

### Valuation based on market multiples by BU under Sum of the Parts

As a proxy of current value, we have applied market multiples of peers using data which derive from 2022 analyst consensus to revenues and EBITDA of Gabetti BUs.

### SOP application - Revenues multiples

€m			
Gabetti	2022 Market multiples		
<b>EV Agency and corporate BU</b>			
<b>2022 Revenues</b>	54.3	0.9x	47.7
<b>EV Real estate network BU</b>			
<b>2022 Revenues</b>	98.2	0.7x	71.4
<b>SOP EV Gabetti</b>			<b>119.1</b>
Net debt 31/12/22			(12.0)
Minorities 31/12/22			(3.8)
<b>Equity value Gabetti</b>			<b>103.3</b>
<b>Equity value Gabetti per share (€)</b>			<b>1.71</b>

Source: EnVent Research

**SOP application - Adj EBITDA multiples**

€m		2022 Market multiples	
<b>Gabetti</b>			
<b>EV Agency and corporate BU</b>			
2022 EBITDA Adj	6.0	8.2x	49.0
<b>EV Real estate network BU</b>			
2022 EBITDA Adj	21.5	7.2x	155.8
<b>SOP EV Gabetti</b>	<b>204.7</b>		
Net debt 31/12/22	(12.0)		
Minorities 31/12/22	(3.8)		
<b>Equity value Gabetti</b>	<b>188.9</b>		
<b>Equity value Gabetti per share (€)</b>	<b>3.13</b>		

Source: EnVent Research

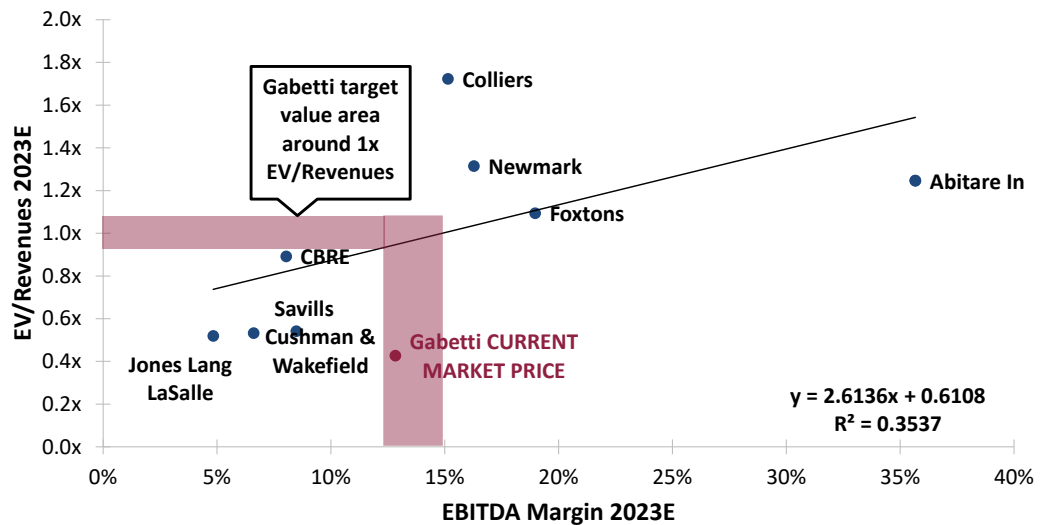
**Valuation derived from regression analysis**

We investigated the correlation between EBITDA Margin and EV/Revenues multiples observing clusters of peers within market metrics. The resulting regression curve is depicted below, with evidence of regression coefficient and estimated R2.

The regression analysis combines the embedded values implied by EV/Revenues of listed peers and their EBITDA Margin and helps to visualize a suitable value area for Gabetti.

Data show that with EBITDA Margin in the 12.5-15% range, the EV/Revenues resulting from the regression curve, which has a statistical effectiveness close to 50% R2, is around 1x.

**Regression analysis - Real Estate services firms**



Source: EnVent Research, June 2023



## Valuation summary and Target Price

For the valuation of Gabetti, we have considered the DCF as the most reliable methodology in the present framework and have looked at other metrics as support and substantiation. By blending all outcomes and also weighing in the short-term profit values, we have chosen a rounded target price of €1.50, implying a 88% upside potential on current share price. We initiate coverage of Gabetti Property Solutions with an OUTPERFORM rating.

Please refer to important disclosures at the end of this report.

<b>Gabetti Property Solutions Price per Share</b>	€
<b>Target Price</b>	<b>1.50</b>
Current Share Price (09/06/2023)	0.80
<b>Premium (Discount)</b>	<b>88%</b>

Source: EnVent Research

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EnVentCM Research & Analysis Division calculates range of values and fair values for the companies under coverage using professional valuation methodologies, such as the discounted cash flows method (DCF), dividend discount model (DDM) and multiple-based models (e.g. EV/Revenues, EV/EBITDA, EV/EBIT, P/E, P/BV). Alternative valuation methodologies may be used, according to circumstances or judgement of non-adequacy of most used methods. The target price could be also influenced by market conditions or events and corporate or share peculiarities.

## STOCK RATINGS

The “OUTPERFORM”, “NEUTRAL”, AND “UNDERPERFORM” recommendations are based on the expectations within a 12-month period from the date of rating indicated in the front page of this publication.

Equity ratings and valuations are issued in absolute terms, not relative to market performance.

Rating system and rationale (12-month time horizon):

OUTPERFORM: stocks are expected to have a total return above 10%;

NEUTRAL: stocks are expected to have a performance between -10% and +10% consistent with market or industry trend and appear less attractive than Outperform rated stocks;

UNDERPERFORM: stocks are among the least attractive in a peer group, with the target price 10% below the current market price;

UNDER REVIEW: target price under review, waiting for updated financial data, or other key information such as material transactions involving share capital or financing;

SUSPENDED: no rating/target price assigned, due to material uncertainties or other issues that seriously impair our previous investment ratings, price targets and earnings estimates;

NOT RATED: no rating or target price assigned.

Some flexibility on the limits of the total return rating ranges is permitted, especially during high market volatility cycles.

The stock price indicated in the report is the last closing price on the day of Production.

Date and time of Production: 09/06/2023 h. 6.55pm

Date and time of Distribution: 12/06/2023 h. 6.40pm

## DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
12/06/2023	OUTPERFORM	1.50	0.80

## ENVENTCM RECOMMENDATION DISTRIBUTION (June 12<sup>th</sup>, 2023)

Number of companies covered:	23	OUTPERFORM	NEUTRAL	UNDERPERFORM	SUSPENDED	UNDER REVIEW	NOT RATED
Total Equity Research Coverage %		83%	4%	0%	4%	9%	0%
of which EnVentCM clients % *		79%	100%	na	100%	50%	na

\* Note: Companies to which corporate and capital markets services were supplied in the last 12 months.

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