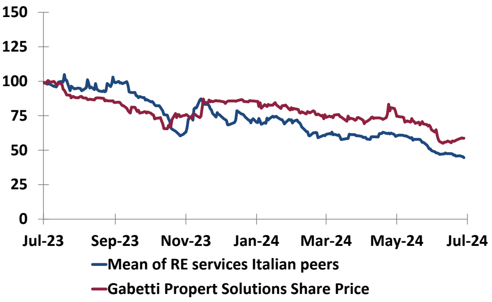
gabetti PROPERTY SOLUTIONS

OUTPERFORM

Current Share Price (€): 0.53

Target Price (€): 1.50

Gabetti - 1Y Performance



Source: S&P Capital IQ - Note: 13/07/2023=100

Company data

ISIN number	IT0005023038
Bloomberg code	GAB IM
Reuters code	GAB.MI
Industry	Real Estate
Stock market	Euronext Milan
Share Price (€)	0.53
Date of Price	12/07/2024
Shares Outstanding (m)	60.3
Market Cap (€m)	32.2
Market Float (%)	41.1%
Daily Volume	12,260
Avg Daily Volume YTD	57,300
Target Price (€)	1.50
Upside (%)	181%
Recommendation	OUTPERFORM

Share price performance

	1M	3M	6M	1Y
Gabetti - Absolute (%)	-14%	-20%	-32%	-41%
FTSE Italia Small Cap (%)	0%	4%	4%	10%
1Y Range H/L (€)			0.92	0.50
YTD Change (€)/%			-0.25	-32%

Source: S&P Capital IQ

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2023 high on revenue at €190m, now readdressing strategy to major trends: property management and requalification

FY23 performance driven by Gabetti Lab and tax incentives, 2024 in line with previous years and normalizing financial debt:

FY 23 revenues were €193.1m, +27% YoY. Group EBITDA was €22.5m (12% margin vs the incentive-driven one-off 18% in FY22), thanks to a business mix with rising direct general contractor backlog. Consolidated net income was €3.8m, vs €14.5m of prior year, impacted by one-off items: €12m receivables writedown, interest and one-off capital loss from Grimaldi Franchising sale. Changing business mix is also impacting financing dynamics: net financial debt from FY22 €12.0m to €60.7m at year-end 2023 with €28m for contractor backlog initial advances to builders and €14m Voxel acquisition debt consolidation. Q1 24 figures anticipate a *back to new normal* trend, while contractor advances would be offset by cash receivable at project completion.

Readdressing strategy: property management and requalification nationwide

Gabetti is giving a new two-fold mission to Gabetti Lab, as a specialist in requalification of buildings and promoter of an unprecedented service line: GH24, a fulltime assistance to residential buildings administrators for maintenance, energy needs, emergencies etc. nationwide, leveraging on the Group unique mix of competencies and affiliated professional networks.

RE industry outlook: a huge property energy requalification matter

EU policies ask to move towards wide programs of improvement of energy performance of buildings, which call for professional facilities management to deal with complexities of evolving technologies. Related investment estimates reach € 800 to 1000bn. Gabetti has already been promoting energy communities and we believe that their priority would be to readdress its leading BUs to cope with such an unlimited market opportunity.

Stock trading: unjustified de-rating after ups and downs

Gabetti shares trading LTM range was €0,92-0,50, a 41% down, vs a 55% overall decline of industry peers. The end of sector highest incentives in history looks a discernible cause of disruptive downtrends, unproper for Gabetti, whose current performance and outlook depicts a solid industry specialist and trend setter

Target Price €1.50 per share and OUTPERFORM rating confirmed

In a turbulent real estate market, Gabetti FY23 operational and financial performance was promptly reacting by shifting to a forward-looking business mix and reverting a slowdown into a revenue uplift. Gabetti is currently trading at 2024E EV/Revenues of 0.6x vs 0.8x for its peers. We confirm our OUTPERFORM rating with an unchanged Target Price of €1.50 per share, implying 0.8x EV/Revenues and over 150% upside on current price.

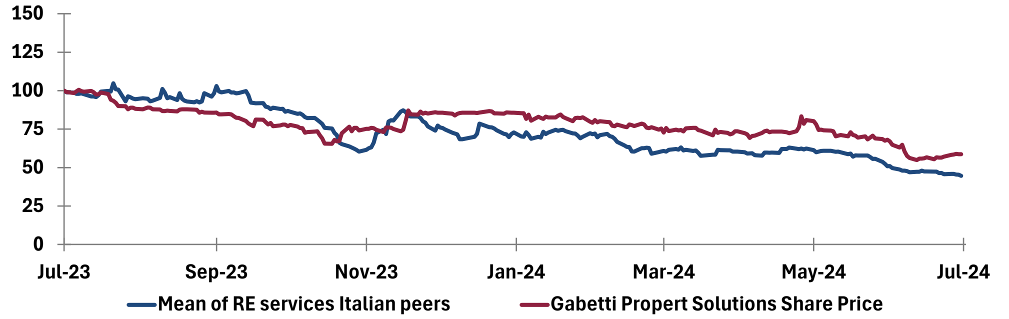
KEY FINANCIALS AND ESTIMATES (€m)	2021	2022	2023	2024E	2025E
Revenues	**167.3**	**151.8**	**193.0**	**151.2**	**188.2**
YoY %	*154%*	*-9%*	*27%*	*-22%*	*24.5%*
EBITDA	**18.7**	**26.8**	**22.3**	**17.9**	**13.6**
Margin	*11%*	*18%*	*12%*	*12%*	*7%*
EBIT	**12.8**	**13.6**	**11.5**	**2.8**	**10.0**
Net Income	**12.2**	**14.5**	**3.8**	**(0.8)**	**4.6**
Trade Working Capital	**22.2**	**37.8**	**61.4**	**25.4**	**24.3**
TWC/Revenues	*13%*	*25%*	*32%*	*17%*	*13%*
Net (Debt) Cash	**(8.2)**	**(12.0)**	**(60.6)**	**(19.2)**	**(11.9)**
MULTIPLES	**2021**	**2022**	**2023**	**2024E**	**2025E**
EV/Revenues	0.6x	0.6x	0.5x	0.6x	0.5x
EV/EBITDA	6.3x	6.0x	6.8x	16.3x	7.1x

Source: Company data 2021-23A, EnVent Research 2024-25E

Market update

-41% for Gabetti Property Solutions, vs -55% average of RE services peers Italian cluster

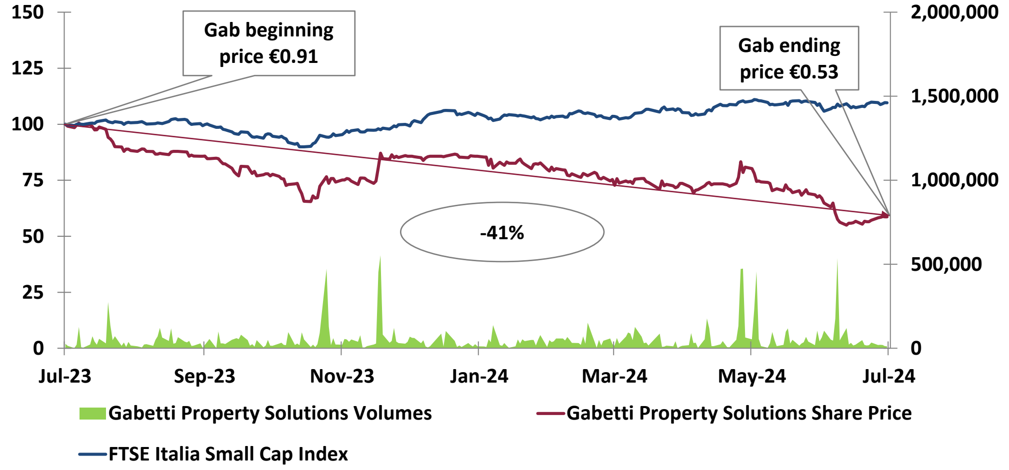
RE services peers Italian cluster 1Y Share price performance



Source: EnVent Research on S&P Capital IQ - Note: 13/07/2023=100

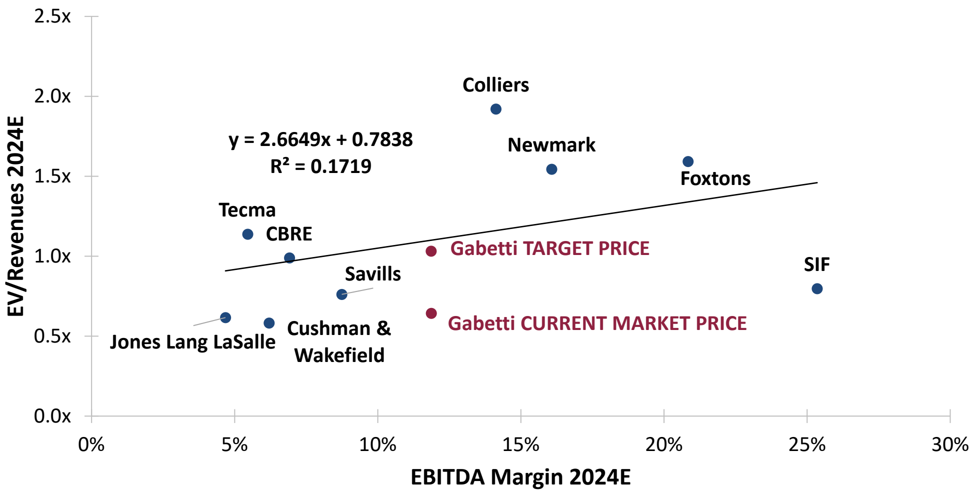
Trading price range €0.50-0.92 per share, with a peak in June 2023

Gabetti Property Solutions and FTSE Italia Small Cap - 1Y Share price performance and trading volumes



Source: EnVent Research on S&P Capital IQ - Note: 13/07/2023=100

Real Estate services firms - Regression analysis and Gabetti target positioning



Source: EnVent Research on S&P Capital IQ, July 2024

Investment case

Traditional and advanced real estate services

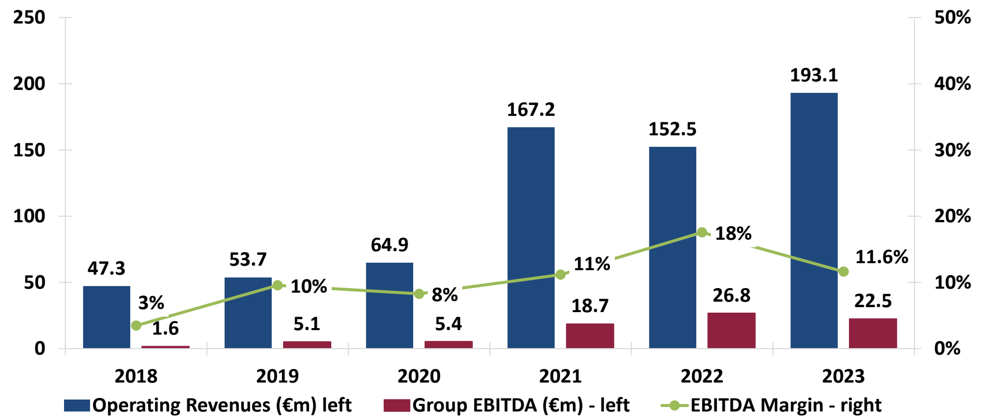
Gabetti Property Solutions, listed on Euronext Milan, is an Italian real estate services provider of a full range of brokerage, advisory and technical services, credit and insurance brokerage, and building renovation services, with decades of track record and expertise across residential, office, production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

Key figures (FY23 financials):

- Revenues €193m
- EBITDA adjusted €22m
- 13 regional corporate offices and 28 franchising corporate agencies in Italy
- 705 agencies under Gabetti Franchising with 1,500 agents
- Nearly 200 condo management associates and 370 associated renovation companies
- €70bn assets under management
- Transactions worth €1bn
- Workforce of over 470 people
- Assets valuations for €70bn

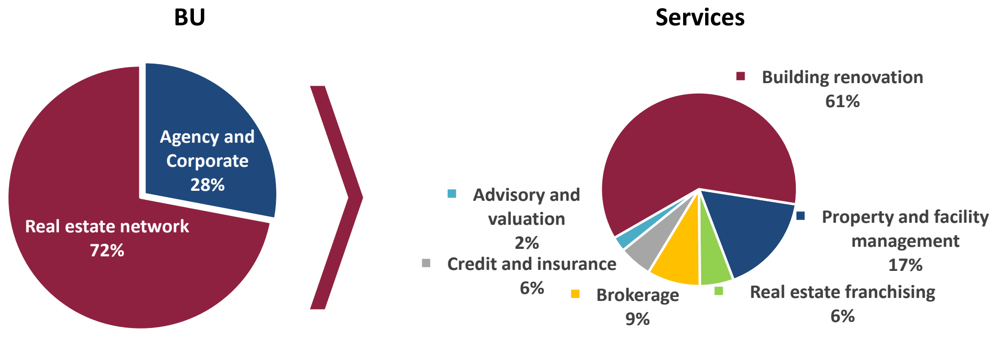
2023 high

5Y Historical financial performance



Source: Company data - Note: Consolidated figures

Revenue breakdown, FY23



Source: Company data

Drivers

Industry drivers

Real estate industry sensitive to economic cycles and macroeconomic factors. Real estate markets are tipically 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.

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. Regardless of tax incentives reduction, the medium/long run energy efficiency targets set by EU for real estate properties, combined with the poor performance of Italian real estate stock, will continue to drive demand for renovation and *smart building* efficiency equipment.

Permanent appeal of the residential market and community buildings. 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 a growing 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, 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. The revised EPBD directive main targets are a 60% reduction in emissions from building sector by 2030 (compared to 2015) and climate neutrality by 2050 (Source: European Parliament and the Council of the European Union, *DIRECTIVE (EU) 2024/1275 of the European Parliament and of the Council: on the energy performance of buildings*, April 2024).

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 massive 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.

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 a risk area, followed by geopolitical tensions. Uncertainty in interest rates is a 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 or 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.

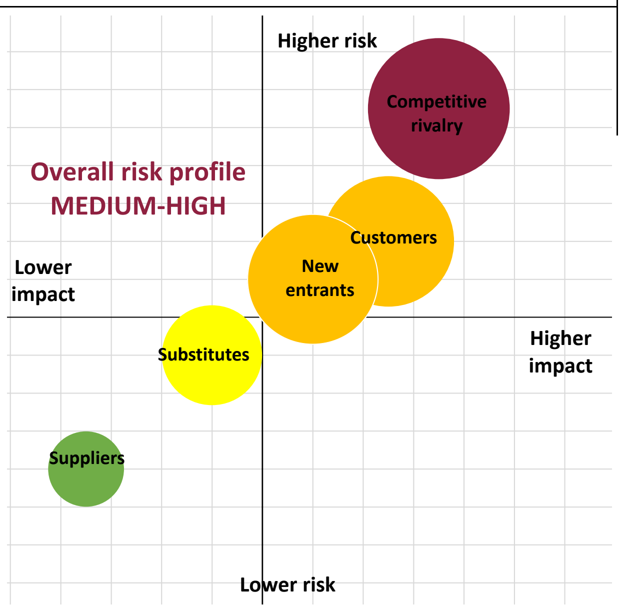
Managing multi-service organization. Attraction and retention of talents who have to deal with a mix of emotional and rational behaviors of B2C individual clients. This includes developing an effective base of brokers, both at direct and franchisee level, educated at gaining trust as a key competitive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

Risk profile: *medium-high*

Competitive forces

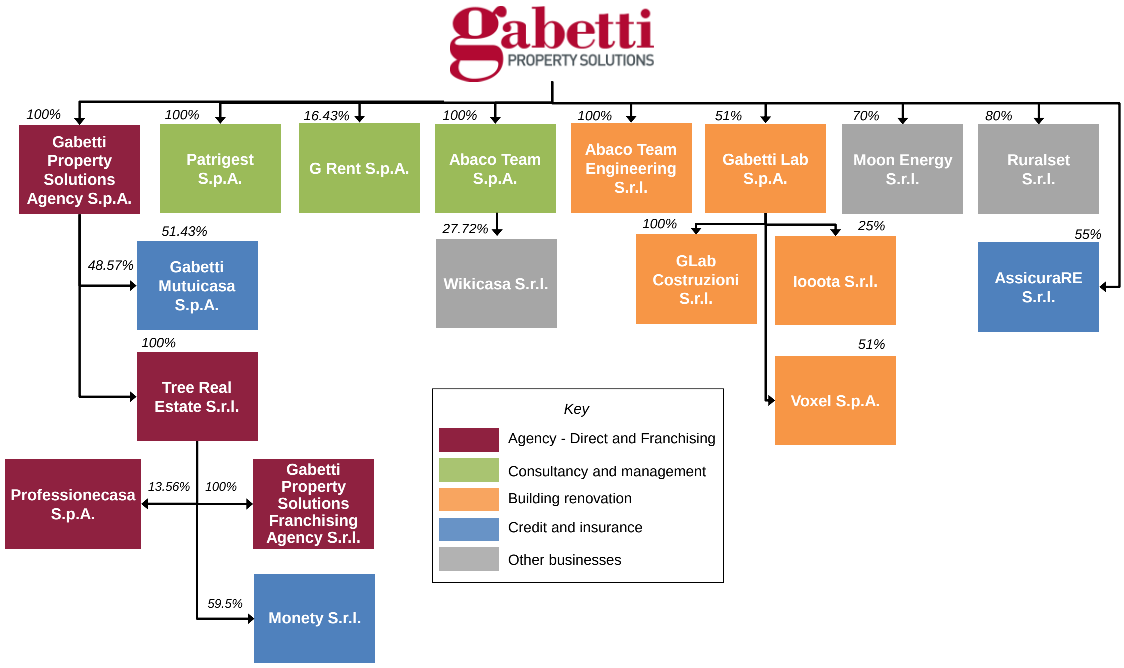
Force	Factors
Competitive rivalry	• High competition • Fragmented market populated by multinational, domestic and local players
Clients	• High power, wide choice of brokers/providers
New entrants	• Business non-capital intensive, wide availability of expertise • Main barriers represented by network and connections
Substitutes	• Online-driven businesses • Technology disruptors within Proptech
Suppliers	• Plenty of properties for sale and rent • Wide offer of renovation/construction and maintenance companies • Wide offer of professional services

Materiality of risk map



Source: EnVent Research

Group companies



Source: Company data, update 31/12/2023

FY23: Gabetti Lab turns up revenues

2023 performance was above expectation with a revenue growth mostly attributable to Gabetti Lab, leveraging last year choice to introduce the direct business in building renovation, while the franchising network reported a -38% YoY in revenues, -19% YoY like-for-like considering the dismissal of Professionecasa and Grimaldi. The Agency and Corporate BU's revenues were overall stable, Abaco and Patrigest balanced the Agency services, negatively impacted by the real estate market downturn.

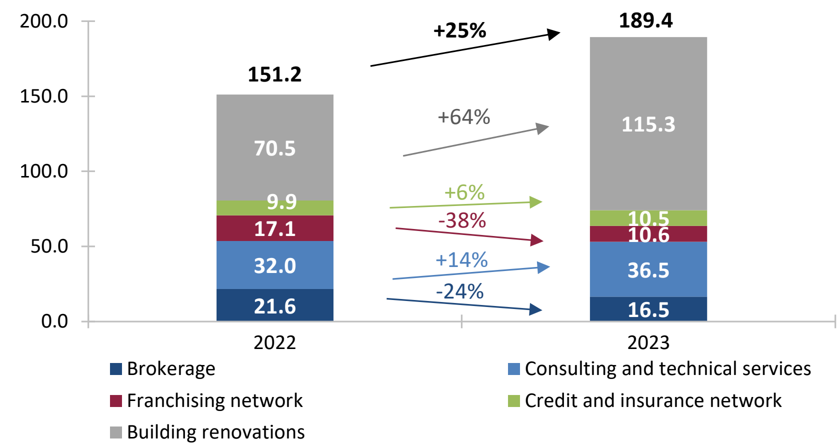
Temporary rise of financial debt to back Gabetti Lab renovation portfolio in last six months, progressively offsetting during 2024 as works in progress reach completion

Key financial figures as of December 31st, 2023:

- Revenues €193.0m, +27% YoY, driven by building renovation services +64% YoY
- EBITDA
    - Group €22.5m, 11.6% margin vs 17.7% in FY22
    - BU Agency and Corporate €5.0m vs €6.0m in FY22
    - BU Real Estate Network €19.0m vs €21.5 in FY22
- EBIT was €11.5m vs €13.6m in FY22, after D&A in line, €7.3 receivables write-down and provisions for €0.8m
- EBT was €6.6m vs €13.1m in FY22, impacted by higher net financial charges for €4.9m (-€0.1m in FY22), due to interest expense on debt to fund Gabetti Lab direct business and one-off capital loss from Grimaldi Franchising sale (i.e. €1m)
- Consolidated net income was €3.8m vs €14.5m in FY22, after taxes for €2.8m vs tax credits for €1.5m in FY22
- Net financial debt was €60.6m vs €12.0m as of year-end 2022, after about

€28m initial financing needs for Gabetti Lab operations, €6.2m leases, €14.2m for the acquisition of Voxel and Ruralset. As of 31st March 2024, net financial debt was €63.7m

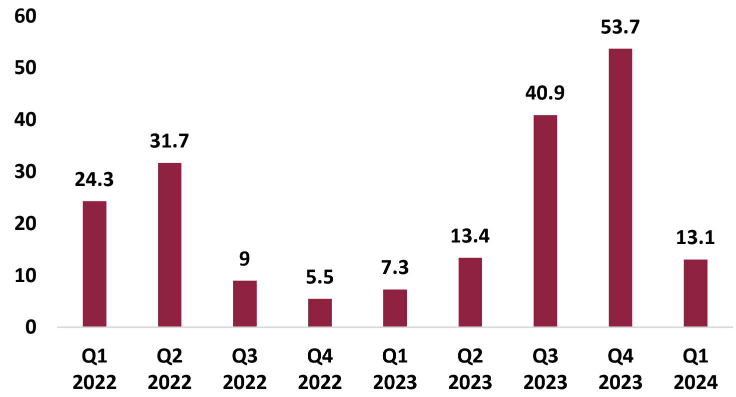
Operating revenue breakdown by service (€m)



Source: Company data; Note: rounded figures, not corrected for intra-group transactions

Gabetti Lab 2022 - Q1 2024 quarterly revenues (€m)

GLab jump in H2 23 offsets the H1 slow start



Source: Company data

Q1 2024: continuity, on expectations

Key figures as of March 31st, 2024:

- Revenues
  - Group €30.5m, +15% on Q1 2023
  - BU Agency and Corporate €11.7m vs €13.4m in Q1 2023
  - BU Real Estate Network €18.8m vs €13.1m in Q1 2023
- EBITDA
  - Group €2.9m, +15% on Q1 2023
  - BU Agency and Corporate €0.4m vs €1.4m in Q1 2023
  - BU Real Estate Network €2.2m vs €1.9m in Q1 2023
- EBIT €0.5m, vs €0.6m in Q1 2023
- Net loss €0.7m, breakeven in Q1 2023
- Net financial debt €63.7m

Macro scenario and outlook

Real estate market - 2023 impacted by high inflation and interest rates

High inflation in 2023, declining in 2024

In 2023 the Italian real estate market showed a slowdown in transactions, the year was challenging due to persistent inflation and a 15-year high in interest rates. Property sales fell by 9.7%, driven by a 26% drop in mortgage-assisted demand, while the rest of the market grew by 4.8%. Property prices have continued to rise, contributing to market illiquidity. According to Nomisma, a normalization phase will be needed to recreate favorable conditions for market demand.

For 2024, expectations still see uncertainties, although there have been positive signs since the beginning of the year, including a partial reduction in inflation and the ECB interest rates cut by 25 basis points decided in early June 2024.

Source: Nomisma, *Osservatorio sul mercato immobiliare - Highlights*, 2024

Building renovation - revised national tax incentives and EU directive

Last months with substantial tax incentives, then lowering since 2024, while market begins to shift towards the massive renovation program to comply with energy cost reduction trends

Building back to new normal

The building renovation sector has been deeply impacted by changes in the regulatory framework around tax incentives, with the Superbonus dropping from 110% to 70% in 2024 and to 65% in 2025, and the discontinuation of the credit transfer and invoice discount mechanisms. Considering these changes, the domestic building activity is anticipated to undergo a slowdown scenario, with investments expected to decrease by over 25% in 2024 according to ANCE. However, the EU policies remain focused on the energy performance of buildings, and the revised EPBD directive would raise the stakes to increase the rate of renovation, especially for the worst-performing buildings. The targets are firstly a 60% reduction in emissions from building sector by 2030 (compared to 2015) and climate neutrality by 2050. According to Deloitte, Italy is in need of some €800-1,000bn investments to reach the EU targets, considering that about 63% of the Italian buildings have the lowest energy efficiency ratings.

Source: ANCE, *Osservatorio congiunturale sull'industria delle costruzioni*, 2024 - European Parliament and the Council of the European Union, *DIRECTIVE (EU) 2024/1275 of the European Parliament and of the Council: on the energy performance of buildings*, April 2024 – Deloitte, *Greenhouse Legislation: black hole or pink future per il Real Estate italiano?*, 2024

Business update - Property management and requalification nationwide

Gabetti is giving an innovation mission to Glab as a specialist in:

- requalification of buildings
- property management supported by GH24, a full-time assistance service to 23,000 residential buildings by affiliated administrators, for maintenance, energy needs, emergencies etc. nationwide
- promotion of energy communities to share green energy production and management long-term plans

Estimates revision

In Q4 2023, incentivized requalification has led to a turnover upswing, thanks to the growing backlog of Gabetti Lab direct business, accompanied by a debt position consistent with this activity, which requires higher cash use in the early stages of projects.

2024 continuity of performance

For 2024 we expect an overall continuity of performance in all BUs, with GLab progressively substituting revenues based on last year incentive system, which are being replaced by a first example of a specialized segment, i.e. a backlog concentrated on elderly people housing communities. Gabetti Lab engagement in the GH24 initiative, leveraging on its unique countrywide network of larger building administrators, is expected to a progressively build-up a recurring revenue flow with a limited investment to cover organizational and communication expenses. Our key assumptions for the next few years envisage 2024 financials in continuity with recent levels regardless of incentives peaks and then a progressive revenue growth toward the 2023 high close to €200m, with operating breakeven in 2024 and normalizing profitability for the following years. According to our projection model, the updated business model mix should gradually lower cash needs and depict a nearly debt free profile company in the near future.

Building-up recurring revenues from value-added services, targeting a new high in revenues

Substantial debt reduction

Key assumptions

- Revenues: 2024 overall at €150m as before effect of tax incentives, 2025-26 pointing to 2023 level through recurring revenues
- Stable operating costs, accrual for bad debts related to closing of contractor projects. Overall break-even in 2024, 7-8% EBITDA before non-recurring items.

Change in estimates

	Revised			Previous			Change % (Rev vs Prev)		
€m	**2023A**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**	**2023A**	**2024E**	**2025E**
Revenues	193.0	151.2	188.2	155.2	165.0	165.5	24%	-8%	14%
EBITDA	22.3	17.9	13.6	19.9	22.3	24.1	12%	-19%	-44%
Margin	*12%*	*12%*	*7%*	*13%*	*14%*	*15%*			
EBIT	11.5	2.5	9.6	7.0	13.9	15.2	65%	-82%	-37%
Margin	*6%*	*2%*	*5%*	*5%*	*8%*	*9%*			
Net Income (Loss)	3.8	(0.9)	4.3	0.5	5.1	6.6	708%	-118%	-35%
Net Debt (Cash)	60.6	27.6	13.4	38.1	27.7	26.9	-59%	0%	50%

Source: EnVent Research

Financial projections

Consolidated Profit and Loss

€m	2021	2022	2023	2024E	2025E
Revenues	165.5	150.2	188.3	149.5	186.5
Other income	1.8	1.6	4.6	1.7	1.7
Total Revenues	**167.3**	**151.8**	**193.0**	**151.2**	**188.2**
YoY %	*153.7%*	*-9.3%*	*27.1%*	*-21.7%*	*24.5%*
Services	(129.7)	(104.6)	(145.8)	(109.3)	(149.0)
Personnel	(14.9)	(16.0)	(17.5)	(17.9)	(18.2)
Other operating expenses	(4.1)	(4.3)	(7.3)	(6.0)	(7.5)
Operating costs	(148.6)	(125.0)	(170.7)	(133.2)	(174.6)
EBITDA Adjusted	**18.7**	**26.8**	**22.3**	**17.9**	**13.6**
Margin	*11.2%*	*17.7%*	*11.6%*	*11.9%*	*7.2%*
Write-down of receivables	(2.6)	(10.3)	(7.3)	(12.0)	0.0
Provisions and other costs	(0.6)	(0.2)	(0.8)	0.0	0.0
EBITDA	**15.4**	**16.3**	**14.3**	**5.9**	**13.6**
Margin	*9.2%*	*10.7%*	*7.4%*	*3.9%*	*7.2%*
D&A	(2.6)	(2.7)	(2.7)	(3.4)	(4.0)
EBIT	**12.8**	**13.6**	**11.5**	**2.5**	**9.6**
Margin	*7.7%*	*9.0%*	*6.0%*	*1.7%*	*5.1%*
Interest	(0.5)	(1.0)	(4.5)	(3.6)	(3.5)
Capital gain (loss)	0.0	1.5	0.0	0.0	0.0
Write-down of investments and financial receivables	(0.6)	(1.0)	(0.4)	0.0	0.0
EBT	**11.7**	**13.1**	**6.6**	**(1.1)**	**6.2**
Margin	*7.0%*	*8.6%*	*3.4%*	*-0.7%*	*3.3%*
Income taxes	0.5	1.5	(2.8)	0.2	(1.9)
Net Income (Loss)	**12.2**	**14.5**	**3.8**	**(0.9)**	**4.3**
Margin	*7.3%*	*9.6%*	*2.0%*	*-0.6%*	*2.3%*

Source: Company data 2021-23A, EnVent Research 2024-25E

Consolidated Balance Sheet

€m	2021	2022	2023	2024E	2025E
Trade receivables	134.0	192.3	251.6	102.4	118.5
Trade payables	(111.8)	(154.5)	(190.2)	(69.4)	(94.1)
Trade Working Capital	22.2	37.8	61.4	33.1	24.3
Other assets (liabilities)	0.1	0.2	29.4	25.0	25.0
Net Working Capital	**22.3**	**38.0**	**90.8**	**58.1**	**49.3**
Intangible assets	1.3	1.4	1.2	1.1	1.0
Goodwill	8.2	7.9	5.8	5.8	5.8
Property, plant and equipment	7.1	6.7	7.0	6.0	4.9
Equity investments and financial assets	1.0	1.1	1.6	1.6	1.6
Non-current assets	**17.6**	**17.1**	**15.5**	**14.3**	**13.2**
Provisions	**(5.1)**	**(5.1)**	**(5.2)**	**(5.3)**	**(5.3)**
Net Invested Capital	**34.8**	**50.0**	**101.0**	**67.1**	**57.2**
Net Debt (Cash)	**8.2**	**12.0**	**60.6**	**27.6**	**13.4**
Equity	**26.6**	**38.0**	**40.5**	**39.5**	**43.8**
Sources	**34.8**	**50.0**	**101.0**	**67.1**	**57.2**

Source: Company data 2021-23A, EnVent Research 2024-25E

Consolidated Cash Flow

€m	2022	2023	2024E	2025E
EBIT	**13.6**	**11.5**	**2.5**	**9.6**
Current taxes	1.5	(2.8)	0.2	(1.9)
D&A	2.7	2.7	3.4	4.0
Provisions	(0.1)	0.2	0.0	0.0
Cash flow from P&L operations	**17.7**	**11.7**	**6.2**	**11.8**
Trade Working Capital	(15.7)	(23.6)	28.3	8.7
Other assets and liabilities	(0.1)	(29.2)	4.4	0.0
Capex	(2.0)	(0.7)	(2.3)	(2.8)
Operating cash flow after WC and capex	**(0.0)**	**(41.8)**	**36.6**	**17.7**
Interest	(1.0)	(4.5)	(3.6)	(3.5)
Capital gain (loss)	1.5	0.0	0.0	0.0
Write-down of investments and financial receivables	(1.0)	(0.4)	0.0	0.0
Equity investments and financial assets	(0.1)	(0.5)	0.0	0.0
Changes in Equity	(3.1)	(1.4)	0.0	0.0
Net cash flow	**(3.8)**	**(48.5)**	**33.0**	**14.2**
Net Debt (Beginning)	(8.2)	(12.0)	(60.6)	(27.6)
Net Debt (End)	(12.0)	(60.6)	(27.6)	(13.4)
Change in Net Debt (Cash)	**(3.8)**	**(48.5)**	**33.0**	**14.2**

Source: Company data 2021-23A, EnVent Research 2024-25E

Ratio analysis

KPIs	**2021**	**2022**	**2023**	**2024E**	**2025E**
ROE	46%	38%	9%	-2%	10%
ROS (EBIT/Revenues)	8%	9%	6%	2%	5%
ROIC (NOPAT/Invested Capital)	72%	72%	72%	72%	72%
DSO	242	383	400	205	190
DPO	250	424	372	180	180
TWC/Revenues	13%	25%	32%	22%	13%
NWC/Revenues	13%	25%	47%	38%	26%
Net Debt/EBITDA adj	0.4x	0.4x	2.7x	1.5x	1.0x
Net Debt/Equity	0.3x	0.3x	1.5x	0.7x	0.3x
Net Debt/(Net Debt+Equity)	0.2x	0.2x	0.6x	0.4x	0.2x
Cash flow from P&L operations/EBITDA	0%	66%	52%	34%	87%
FCF/EBITDA	neg	neg	neg	204%	130%
Basic EPS (€)	0.137	0.193	0.017	-0.004	0.019
Book Value per share (€)	0.371	0.567	0.598	0.594	0.613

Source: Company data 2021-23A, EnVent Research 2024-25E

Valuation

We have updated our valuation of Gabetti through DCF, market multiples and Sum of the Parts.

Discounted Cash Flows

Updated assumptions:

- Risk free rate: 3.5% (30 days average. Source: Bloomberg, July 2024)
- Market return: 11.3% (30 days average. Source: Bloomberg, July 2024)
- Market risk premium: 7.8%
- Beta: 1.2 (judgmental)
- Cost of equity: 13.2%
- Cost of debt: 6%
- Tax rate: 24% (IRES)
- 30% debt/(debt + equity) as target capital structure
- WACC calculated at 10.6%, according to above data
- Perpetual growth rate after explicit projections (G): 2%
- Terminal Value assumes a 10% EBITDA margin

DCF Valuation

€m		2021	2022	2023	2024E	2025E	Perpetuity
Revenues		**167.3**	**151.8**	**193.0**	**151.2**	**188.2**	**192.0**
EBITDA		**15.4**	**16.3**	**14.3**	**5.9**	**13.6**	**19.1**
Margin		*9.2%*	*10.7%*	*7.4%*	*3.9%*	*7.2%*	*10.0%*
EBIT		**12.8**	**13.6**	**11.5**	**2.8**	**10.0**	**17.2**
Margin		*7.7%*	*9.0%*	*6.0%*	*1.8%*	*5.3%*	*9.0%*
Taxes		(3.6)	(3.8)	(3.2)	(0.8)	(2.8)	(4.8)
NOPAT		**9.2**	**9.8**	**8.3**	**2.0**	**7.2**	**12.4**
D&A				2.7	3.2	3.5	1.9
Provisions				0.2	0.0	0.0	0.0
Cash flow from operations				**11.2**	**5.2**	**10.8**	**14.3**
Trade Working Capital				(23.6)	36.0	1.0	(1.0)
Other assets and liabilities				(29.2)	4.4	0.0	0.0
Capex				(0.7)	(1.5)	(1.9)	(1.9)
Yearly unlevered free cash flow				**(42.2)**	**44.1**	**9.9**	**11.4**
- H1 unlevered free cash flow				**8.6**			
Free cash Flow to be discounted					**44.1**	**9.9**	**11.4**
WACC	10.6%						
Long-term growth (G)	2.0%						
Discounted Cash Flows					**39.9**	**8.1**	
Sum of Discounted Cash Flows	48.0						
Terminal Value							**132.4**
Discounted TV	108.3						
Enterprise Value	**156.4**						
Net debt 31/12/23	(60.6)						
Minorities 31/12/23	(4.4)						
Equity Value	**91.4**						
Equity Value per share (€)	**1.52**						

Source: EnVent Research

Market multiples valuation

We have applied to our 2024-25E estimates the combined median EV/Revenues and EV/EBITDA multiples of the selected peer groups.

Company	EV/REVENUES			EV/EBITDA		
	2023	2024E	2025E	2023	2024E	2025E
Gabetti	**0.6x**	**0.6x**	**0.5x**	**5.0x**	**5.4x**	**7.1x**
Real estate services firms						
CBRE	1.0x	1.0x	0.9x	17.0x	14.3x	12.1x
Jones Lang LaSalle	0.6x	0.6x	0.6x	11.6x	13.2x	11.1x
Cushman & Wakefield	0.6x	0.6x	0.5x	13.5x	9.4x	8.1x
Colliers	2.1x	1.9x	1.7x	16.3x	13.6x	11.8x
Newmark	1.5x	1.5x	1.4x	13.1x	9.6x	8.0x
Savills	0.6x	0.8x	0.7x	16.0x	8.7x	7.6x
Foxtons	1.3x	1.6x	1.5x	14.2x	7.6x	7.7x
Tecma	2.1x	1.1x	1.0x	neg	20.9x	7.2x
SIF	1.7x	0.8x	0.8x	11.1x	3.1x	3.3x
Abitare In	0.8x	2.0x	1.3x	5.6x	7.8x	4.7x
Mean	**1.2x**	**1.2x**	**1.0x**	**13.1x**	**10.8x**	**8.2x**
Median	**1.2x**	**1.1x**	**0.9x**	**13.5x**	**9.5x**	**7.9x**
Franchisors						
Anywhere Real Estate	0.7x	0.6x	0.6x	20.8x	10.6x	8.4x
LSL Property Services	1.7x	1.9x	1.7x	21.4x	11.0x	8.8x
RE/MAX	0.5x	0.2x	0.2x	2.4x	0.8x	0.7x
The Property Franchise	4.0x	4.3x	3.5x	10.0x	12.2x	9.3x
Mean	**1.7x**	**1.8x**	**1.5x**	**13.7x**	**8.6x**	**6.8x**
Median	**1.2x**	**1.3x**	**1.2x**	**15.4x**	**10.8x**	**8.6x**
Facility management and building renovation specialists						
ABM Industries	0.5x	0.6x	0.5x	8.9x	9.4x	9.1x
Mears	0.4x	0.5x	0.6x	7.5x	4.4x	4.8x
City Service	0.5x	na	na	5.9x	na	na
EdiliziAcrobatica	1.0x	0.8x	0.7x	8.5x	4.9x	4.2x
Renovalo	0.3x	0.5x	0.5x	1.2x	2.7x	2.4x
Mean	**0.6x**	**0.6x**	**0.6x**	**6.4x**	**5.4x**	**5.1x**
Median	**0.5x**	**0.6x**	**0.6x**	**7.5x**	**4.7x**	**4.5x**
Combined Mean	**1.2x**	**1.2x**	**1.0x**	**11.4x**	**9.1x**	**7.2x**
Combined Median	**0.8x**	**0.8x**	**0.7x**	**11.3x**	**9.4x**	**7.9x**
Property managers						
Vacasa	0.1x	0.0x	0.0x	14.6x	neg	1.0x
Sonder	n.a.	2.2x	2.0x	n.a.	nm	nm
HomeToGo	1.2x	0.7x	0.6x	nm	12.1x	7.1x
CleanBnB	0.5x	0.5x	0.5x	31.6x	5.9x	4.2x
Emma Villas	n.a.	0.5x	1.1x	n.a.	13.5x	9.4x
G Rent	2.2x	2.3x	1.2x	neg	neg	30.3x
Mean	**1.0x**	**1.0x**	**0.9x**	**nm**	**10.5x**	**10.4x**
Median	**1.0x**	**1.0x**	**0.9x**	**nm**	**10.5x**	**10.4x**
Tech real estate brokers						
Compass	0.4x	0.4x	0.4x	neg	21.5x	10.2x
Redfin	2.1x	1.7x	1.5x	neg	neg	61.7x
Zillow	6.4x	5.0x	4.4x	neg	23.6x	17.4x
Fathom	0.2x	0.2x	0.1x	neg	nm	8.7x
Mean	**2.3x**	**1.8x**	**1.6x**	**nm**	**22.6x**	**24.5x**
Median	**1.2x**	**1.0x**	**0.9x**	**nm**	**22.6x**	**13.8x**

Source: S&P Capital IQ, 12/07/2024

Application of market multiples

€m

Gabetti (€m)			Market Multiples	EV	Net debt 31/12/23	Minorities 31/12/23	Equity value	Equity value per share (€)
2024E	**Revenues**	151.2	0.8x	118.0	(60.6)	(4.4)	**53.1**	0.88
2025E	**Revenues**	188.2	0.7x	139.4	(60.6)	(4.4)	**74.5**	1.23
Mean				132.5			**63.8**	1.06
2024E	**EBITDA Adj**	17.9	9.4x	168.3	(60.6)	(4.4)	**103.3**	1.71
2025E	**EBITDA**	13.6	7.9x	106.8	(60.6)	(4.4)	**41.9**	0.69
Mean				210.6			**72.6**	1.20

Source: EnVent Research

Sum of the Parts

We performed SoP method by BU applying revenues and EBITDA multiples.

SoP application - Revenues multiples

€m

Gabetti	2023 Market multiples		
EV Agency and corporate BU			
2023 Revenues	53.0	1.2x	61.5
EV Real estate network BU			
2023 Revenues	136.4	0.5x	73.4
SOP EV Gabetti			**134.9**
Net debt 31/12/23			(60.6)
Minorities 31/12/23			(4.4)
Equity value Gabetti			**70.0**
Equity value Gabetti per share (€)			**1.16**

Source: EnVent Research

SoP application – Adj. EBITDA multiples

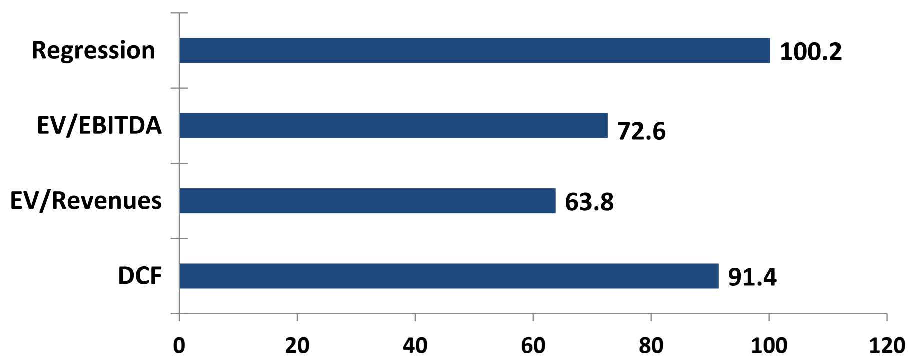
€m

Gabetti	2023 Market multiples		
EV Agency and corporate BU			
2023 Adj. EBITDA	5.0	13.5x	67.3
EV Real estate network BU			
2023 Adj. EBITDA	19.0	8.5x	161.4
SOP EV Gabetti			**228.6**
Net debt 31/12/23			(60.6)
Minorities 31/12/23			(4.4)
Equity value Gabetti			**163.7**
Equity value Gabetti per share (€)			**2.71**

Source: EnVent Research

Target Price

Gabetti, Equity value €m



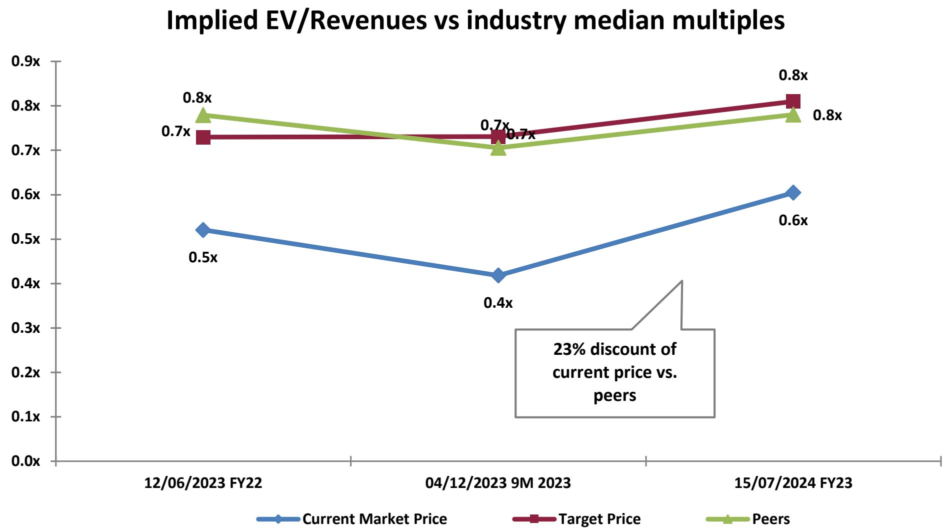
Source: EnVent Research

We have carried on our valuation relying on the DCF method, deeming it more suitable in view of multiples comparability, diversity issues and a current derating of comparable stocks. We maintain our previous €1.50 target price and OUTPERFORM rating. The target price presently implies an upside potential over 150% on current share price.

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

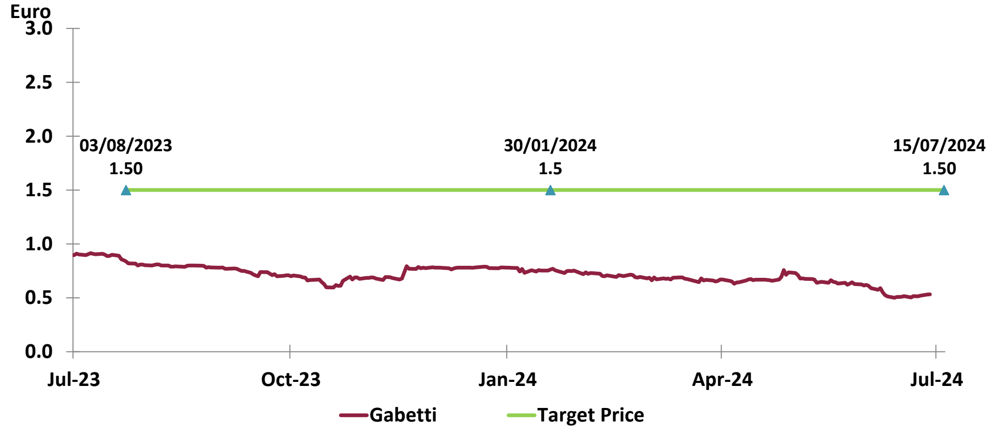
Gabetti Property Solutions Price per Share	€
Target Price	**1.50**
Current Share Price (15/07/2024)	0.53
Premium (Discount)	**181%**

Source: EnVent Research



Source: EnVent Research on S&P Capital IQ, 15/07/2024

Gabetti Share Price vs EnVent Target Price



Source: EnVent Research on S&P Capital IQ, 15/07/2024

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The stock price indicated in the report is the last closing price on the day of Production.
Date and time of Production: 12/07/2024 h. 7.00pm
Date and time of Distribution: 15/07/2024 h. 7.50pm

DETAILS ON STOCK RECOMMENDATION AND TARGET PRICE

Date	Recommendation	Target Price (€)	Share Price (€)
12/06/2023	OUTPERFORM	1.50	0.80
04/12/2023	OUTPERFORM	1.50	0.77
15/07/2024	OUTPERFORM	1.50	0.53

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