

Borgosesia	Italy	Euronext Milan	Real Estate
Rating: <b>BUY</b> (unch.)	Target Price: <b>€ 1,50</b> prev. (€ 1,35)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-8,28%	-3,13%	-21,91%	-0,64%
to FTSE AIM Italia	-8,33%	7,31%	-4,74%	5,57%
to FTSE STAR Italia	-12,90%	8,21%	0,10%	13,78%
to FTSE All-Share	-5,68%	10,67%	0,17%	10,91%
to EUROSTOXX	-11,61%	4,87%	-5,30%	8,74%
to MSCI World Index	-13,63%	9,11%	-7,19%	11,92%

#### Stock Data

Price	€ 0,62
Target price	€ 1,50
Upside/(Downside) potential	140,2%
Bloomberg Code	BO IM
Market Cap (€m)	€ 29,78
EV (€m)	€ 57,26
Free Float	60,48%
Share Outstanding	47.717.694
52-week high	€ 0,86
52-week low	€ 0,55
Average daily volumes (3m)	39.500

Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Revenues	21,1	23,6	26,8	41,0
VoP	25,8	26,9	29,2	41,7
EBITDA	12,0	14,0	14,6	15,0
EBIT	11,4	13,3	13,9	14,2
Net Profit	7,9	8,0	9,3	9,7
EBITDA margin	46,4%	52,0%	50,0%	36,0%
EBIT margin	44,1%	49,3%	47,4%	34,1%
Net Profit margin	30,5%	29,7%	31,8%	23,3%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	4,8	4,1	3,9	3,8
EV/EBIT (x)	5,0	4,3	4,1	4,0
P/E (x)	3,8	3,7	3,2	3,1

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#### Stock Performance vs Euronext Milan



#### 1H22A

Borgosesia generated value of production of € 13.55 million, up 40.7% from the 1H21A figure of € 9.63 million. EBITDA stood at € 7.62 million, +20.8% compared to € 6.31 million in 1H21A, with an EBITDA margin of 56.35 (65.6% at 1H21A). Finally, we note an important increase in the Group's benchmark KPI, EBITDA from operating activities, calculated as the sum of the gross margins of the Real Estate business and the Alternative activities; the figure rises from € 7.90 million in 1H2021 to € 9.38 million recorded during 1H22A, for an increase of 18.7%. Net Income reaches € 4.80 million.

#### Estimates Update

We estimate the FY22E value of production equal to € 26.90 million and EBITDA of € 14.00 million, marginality of 52.0%. For subsequent years, we expect the value of production to increase up to € 49.15 million (CAGR 21A-74E: 11.4%) in FY27E, with EBITDA of € 18.20 million (EBITDA margin of 37.0%), up from € 11.96 million in FY21A (EBITDA margin of 46.4%). The adjustment compared to previous estimates was made in the balance sheet with regard to the investment plan forecast implemented by the Company. At the NFP level, we expect it to reach a value of € 19.69 million in FY27E.

#### Valuation Update

We have conducted the valuation of Borgosesia equity value based on the DCF methodology and market multiples of a comparable companies sample. The DCF method (which in the calculation of the WACC includes for prudential purposes a specific risk of 2.5%) provides an equity value of € 88.0 million. The equity value of Borgosesia using market multiples is equal to € 55.0 million (with a 25% discount). The result is an average equity value of € 71.5 million. The target price is € 1.50 (prev. € 1,35 mln), BUY rating and MEDIUM risk.

## 1. Economics & Financials

**Table 1 – Economics & Financials**

CONSOLIDATED INCOME STATEMENT (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
Revenues	19,45	21,11	23,60	26,75	41,00	45,00	46,50	47,00
Fair Value Adjustment	2,07	3,54	0,30	0,45	0,50	0,70	1,25	2,15
Other Revenues	5,67	1,10	3,00	2,00	0,20	0,00	0,00	0,00
<b>Value of Production</b>	<b>27,20</b>	<b>25,76</b>	<b>26,90</b>	<b>29,20</b>	<b>41,70</b>	<b>45,70</b>	<b>47,75</b>	<b>49,15</b>
COGS	13,21	6,62	9,00	10,25	21,85	23,90	24,90	25,40
Services	6,42	6,07	1,65	1,80	2,20	2,35	2,45	2,50
Use Of Asset	0,05	0,05	0,05	0,05	0,05	0,05	0,05	0,05
Employees	0,32	0,52	1,85	2,15	2,25	2,45	2,50	2,60
Other Operating Expenses	0,46	0,54	0,35	0,35	0,35	0,35	0,40	0,40
<b>EBITDA</b>	<b>6,75</b>	<b>11,96</b>	<b>14,00</b>	<b>14,60</b>	<b>15,00</b>	<b>16,60</b>	<b>17,45</b>	<b>18,20</b>
<i>EBITDA Margin</i>	<i>24,8%</i>	<i>46,4%</i>	<i>52,0%</i>	<i>50,0%</i>	<i>36,0%</i>	<i>36,3%</i>	<i>36,5%</i>	<i>37,0%</i>
D&A	0,34	0,60	0,75	0,75	0,80	0,80	0,80	0,80
<b>EBIT</b>	<b>6,41</b>	<b>11,36</b>	<b>13,25</b>	<b>13,85</b>	<b>14,20</b>	<b>15,80</b>	<b>16,65</b>	<b>17,40</b>
<i>EBIT Margin</i>	<i>23,6%</i>	<i>44,1%</i>	<i>49,3%</i>	<i>47,4%</i>	<i>34,1%</i>	<i>34,6%</i>	<i>34,9%</i>	<i>35,4%</i>
Financial Management	(2,14)	(3,26)	(4,25)	(3,40)	(3,25)	(1,75)	(1,15)	(0,05)
<b>EBT</b>	<b>4,27</b>	<b>8,10</b>	<b>9,00</b>	<b>10,45</b>	<b>10,95</b>	<b>14,05</b>	<b>15,50</b>	<b>17,35</b>
Taxes	(0,77)	0,23	1,00	1,15	1,25	1,50	1,60	1,80
<b>Net Income</b>	<b>5,04</b>	<b>7,87</b>	<b>8,00</b>	<b>9,30</b>	<b>9,70</b>	<b>12,55</b>	<b>13,90</b>	<b>15,55</b>

CONSOLIDATED BALANCE SHEET (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
<b>Fixed Assets</b>	<b>6,99</b>	<b>7,26</b>	<b>0,85</b>	<b>0,70</b>	<b>0,60</b>	<b>0,50</b>	<b>0,35</b>	<b>0,25</b>
Account receivable	0,78	1,74	2,00	1,05	1,20	1,40	1,60	1,80
Investments	52,47	76,65	125,00	122,00	123,00	125,00	126,00	135,00
Account payable	8,36	11,62	10,00	14,00	16,00	16,50	16,80	17,00
<b>Operating Working Capital</b>	<b>44,88</b>	<b>66,78</b>	<b>117,00</b>	<b>109,05</b>	<b>108,20</b>	<b>109,90</b>	<b>110,80</b>	<b>119,80</b>
Other receivable	5,27	8,47	8,50	6,50	6,30	6,10	5,90	5,75
Other payable	0,15	0,56	5,50	2,80	2,60	2,45	2,35	1,60
<b>Net Working Capital</b>	<b>50,00</b>	<b>74,69</b>	<b>120,00</b>	<b>112,75</b>	<b>111,90</b>	<b>113,55</b>	<b>114,35</b>	<b>123,95</b>
Severance Indemnities & Other Provisions	1,24	1,27	1,50	1,60	1,70	1,80	1,90	2,00
<b>NET INVESTED CAPITAL</b>	<b>55,76</b>	<b>80,68</b>	<b>119,35</b>	<b>111,85</b>	<b>110,80</b>	<b>112,25</b>	<b>112,80</b>	<b>122,20</b>
Share Capital	9,90	9,90	9,90	9,90	9,90	9,90	9,90	9,90
Reserves	17,28	23,18	29,45	36,46	44,66	53,44	64,91	77,06
Net Income	4,75	7,08	8,00	9,30	9,70	12,55	13,90	15,55
<b>Equity</b>	<b>31,92</b>	<b>40,15</b>	<b>47,35</b>	<b>55,65</b>	<b>64,26</b>	<b>75,89</b>	<b>88,71</b>	<b>102,51</b>
<b>Minorities Equity</b>	<b>4,71</b>	<b>13,05</b>	<b>16,02</b>	<b>16,02</b>	<b>16,02</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
Cash & Cash Equivalent	6,69	12,23	9,02	27,82	32,48	28,14	30,91	35,81
Short Term Financial Debt	10,76	17,44	30,00	36,00	34,00	33,50	35,00	36,50
M/L Term Financial Debt	15,06	22,27	35,00	32,00	29,00	31,00	20,00	19,00
<b>Net Financial Position</b>	<b>19,12</b>	<b>27,48</b>	<b>55,98</b>	<b>40,18</b>	<b>30,52</b>	<b>36,36</b>	<b>24,09</b>	<b>19,69</b>
<b>SOURCES</b>	<b>55,76</b>	<b>80,68</b>	<b>119,35</b>	<b>111,85</b>	<b>110,80</b>	<b>112,25</b>	<b>112,80</b>	<b>122,20</b>

CONSOLIDATED CASH FLOW (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
EBIT	6,41	11,36	13,25	13,85	14,20	15,80	16,65	17,40
Taxes	(0,77)	0,23	1,00	1,15	1,25	1,50	1,60	1,80
<b>NOPAT</b>	<b>7,18</b>	<b>11,13</b>	<b>12,25</b>	<b>12,70</b>	<b>12,95</b>	<b>14,30</b>	<b>15,05</b>	<b>15,60</b>
D&A	0,34	0,60	0,75	0,75	0,80	0,80	0,80	0,80
Change in receivable	0,38	(0,96)	(0,26)	0,95	(0,15)	(0,20)	(0,20)	(0,20)
Change in Investments	(27,80)	(24,18)	(48,35)	3,00	(1,00)	(2,00)	(1,00)	(9,00)
Change in payable	6,34	3,25	(1,62)	4,00	2,00	0,50	0,30	0,20
Change in others	(5,84)	(2,80)	4,92	(0,70)	0,00	0,05	0,10	(0,60)
<i>Change in NWC</i>	<i>(26,93)</i>	<i>(24,70)</i>	<i>(45,31)</i>	<i>7,25</i>	<i>0,85</i>	<i>(1,65)</i>	<i>(0,80)</i>	<i>(9,60)</i>
Change in provisions	0,23	0,03	0,23	0,10	0,10	0,10	0,10	0,10
<b>OPERATING CASH FLOW</b>	<b>(19,19)</b>	<b>(12,93)</b>	<b>(32,08)</b>	<b>20,80</b>	<b>14,70</b>	<b>13,55</b>	<b>15,15</b>	<b>6,90</b>
Capex	2,6	(0,9)	5,7	(0,6)	(0,7)	(0,7)	(0,7)	(0,7)
<b>FREE CASH FLOW</b>	<b>(16,60)</b>	<b>(13,80)</b>	<b>(26,42)</b>	<b>20,20</b>	<b>14,00</b>	<b>12,85</b>	<b>14,50</b>	<b>6,20</b>
Financial Management	(2,14)	(3,26)	(4,25)	(3,40)	(3,25)	(1,75)	(1,15)	(0,05)
Change in Debt to Bank	16,37	13,90	25,29	3,00	(5,00)	1,50	(9,50)	0,50
Change in Equity	4,26	8,70	2,17	(1,00)	(1,10)	(16,94)	(1,08)	(1,75)
<b>FREE CASH FLOW TO EQUITY</b>	<b>1,89</b>	<b>5,54</b>	<b>(3,21)</b>	<b>18,80</b>	<b>4,65</b>	<b>(4,34)</b>	<b>2,77</b>	<b>4,90</b>

Source: BORGOSIESIA and Integrae SIM estimates

## 1.1 1H22A Results

**Table 2 – 1H22A vs 1H21A**

€/mln	VoP	EBITDA	EBITDA %	EBIT	Net Income	NFP
<b>1H22A</b>	<b>13,55</b>	<b>7,62</b>	<b>56,3%</b>	<b>7,31</b>	<b>4,80</b>	<b>46,4</b>
1H21A	9,63	6,31	65,6%	6,04	5,02	27,48*
<i>Change</i>	<i>40,7%</i>	<i>20,8%</i>	<i>-9,3%</i>	<i>21,0%</i>	<i>-4,4%</i>	<i>N.A</i>

Source: Integrae SIM

\*NFP as of 31/12/2021

In the half-year financial report as of 30 June 2022, Borgosesia reports that it generated a total value of production equal to € 13.55 million, 40.7% up compared to the figure for the first half of the previous year of € 9.63 million. During the semester, the Company continued its activities related to direct investments, however, choosing to adapt its investment policy to the unfavorable macroeconomic scenario that sees disproportionate increases in the costs of raw materials, transport, and electricity: to avoid exposing itself to these risks, Borgosesia preferred to concentrate its activity on projects concerning finished goods or properties, which did not require significant restructuring.

The ability of management to quickly modify investment policies shows the elasticity of the core business and allows it to maintain marginality at very high levels, albeit with a lower impact on the value of production compared to the first half of the previous fiscal year. Borgosesia's EBITDA in absolute value stood at € 7.62 million, +20.8% compared to € 6.31 million in 1H21A, with an EBITDA margin of 56.35 (65.6% in 1H21A). Finally, we note a significant increase in the Group's reference KPI, the gross operating margin of operating activities, calculated as the sum of the gross margins of Real Estate and Alternative activities; the figure goes from € 7.90 million in the first half of 2021 to € 9.38 million recorded during 1H22A, an increase of 18.7%.

EBIT, after amortization and depreciation of € 0.31 million, amounted to € 7.31 million compared to the 1H21A value of € 6.04 million, thus registering an increase of 21.0%. On the other hand, the EBIT margin is slightly down but still extremely positive, going from 62.8% in 1H21A to 54.0% as of 30 June 2022. Net Income reaches € 4.80 million.

Intending to seek short-term investment opportunities to avoid excessive exposure to macroeconomic variations, the Group aims to increase volumes through the proportional provision of financial resources: to maintain unchanged the funds available for this type of investment, the corporate policy has provided, after the repayment in the half-year of bonds and securitizations (for € 20.5 million), the acquisition of new bank loans for € 17.5 million. Therefore, we note that the NFP has undergone a significant worsening, reaching € 46.45 million on 30 June 2022 compared to the end of the year 2021 figure of € 27.48 million; this variation is however instrumental to the promotion of the projects that the Company has planned, with particular reference to the joint venture reached with DDM and the Consultinvest Group and the promotion of the "CyberBorgo" platform, a new platform based on blockchain that aims to open participation in real estate and financial transactions to third party investors.

## 1.2 FY22E – FY27E Estimates

**Table 3 – Estimates Updates FY22E - FY27E**

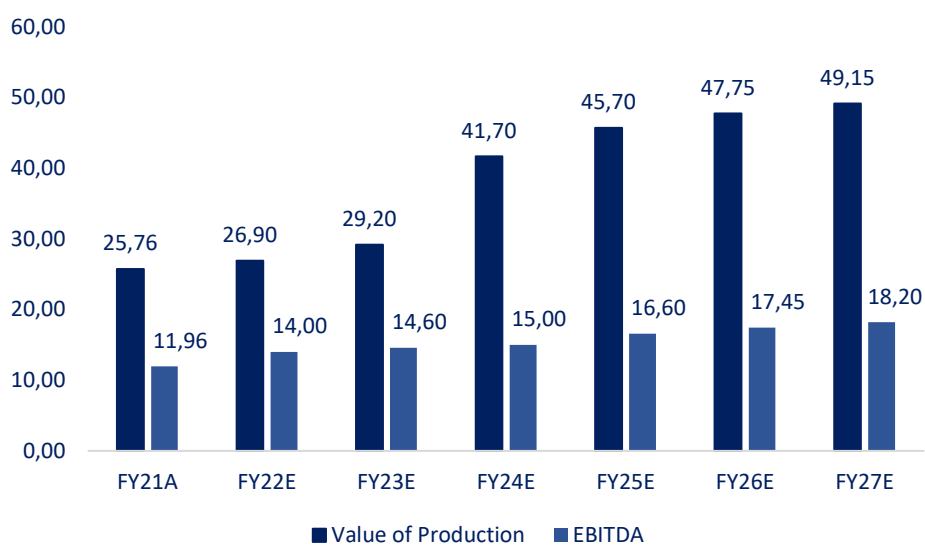
€/mln	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E
<b>VoP</b>						
New	<b>23,6</b>	<b>26,8</b>	<b>41,0</b>	<b>45,0</b>	<b>46,5</b>	<b>47,0</b>
Old	23,6	26,8	41,0	45,0	46,5	47,0
Change	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>EBITDA</b>						
New	<b>14,0</b>	<b>14,6</b>	<b>15,0</b>	<b>16,6</b>	<b>17,5</b>	<b>18,2</b>
Old	14,0	14,6	15,0	16,6	17,5	18,2
Change	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>EBITDA %</b>						
New	<b>52,0%</b>	<b>50,0%</b>	<b>36,0%</b>	<b>36,3%</b>	<b>36,5%</b>	<b>37,0%</b>
Old	52,0%	50,0%	36,0%	36,3%	36,5%	37,0%
Change	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>EBIT</b>						
New	<b>13,3</b>	<b>13,9</b>	<b>14,2</b>	<b>15,8</b>	<b>16,7</b>	<b>17,4</b>
Old	13,3	13,9	14,2	15,8	16,7	17,4
Change	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>Net Income</b>						
New	<b>8,0</b>	<b>9,3</b>	<b>9,7</b>	<b>12,6</b>	<b>13,9</b>	<b>15,6</b>
Old	8,0	9,3	9,7	12,6	13,9	15,6
Change	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
<b>NFP</b>						
New	<b>56,0</b>	<b>40,2</b>	<b>30,5</b>	<b>36,4</b>	<b>24,1</b>	<b>19,7</b>
Old	19,8	1,9	(0,2)	16,8	15,5	14,1
Change	N.A	N.A	N.A	N.A	N.A	N.A

Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, we maintain our estimates substantially unchanged for both the current year and the coming years.

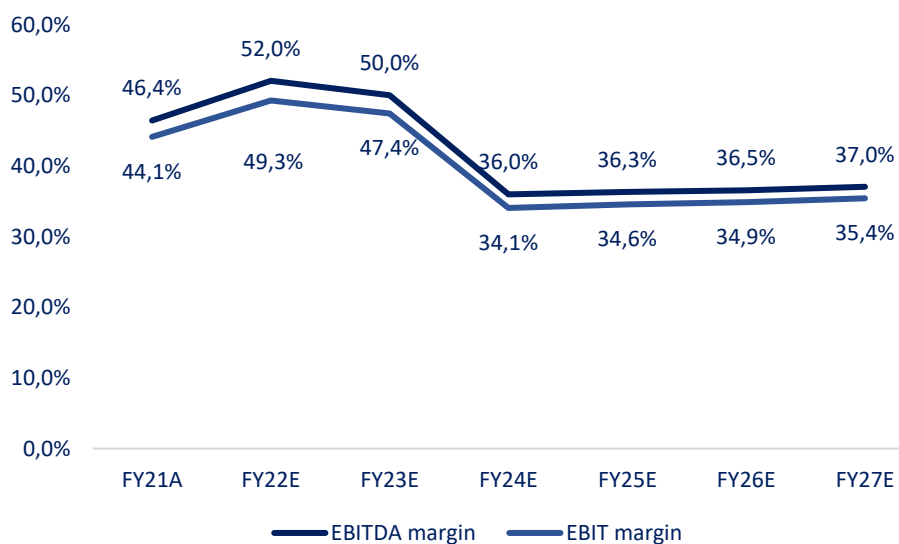
In particular, we estimate the FY22E value of production equal to € 26.90 million and EBITDA of € 14.00 million, corresponding to a marginality of 52.0%. For subsequent years, we expect the value of production to increase up to € 49.15 million (CAGR 21A-74E: 11.4%) in FY27E, with EBITDA of € 18.20 million (corresponding to an EBITDA margin of 37.0%), up from € 11.96 million in FY21A (corresponding to an EBITDA margin of 46.4%). The only adjustment compared to previous estimates was made in the balance sheet with regard to the investment plan forecast implemented by the Company, as the investments made during the half-year went well beyond our expectations and it is estimated that they may continue during the year and for the coming years. At the NFP level, we expect it to reach a value of € 19.69 million in FY27E.

**Chart 3 – VoP and EBITDA FY21A - FY27E**



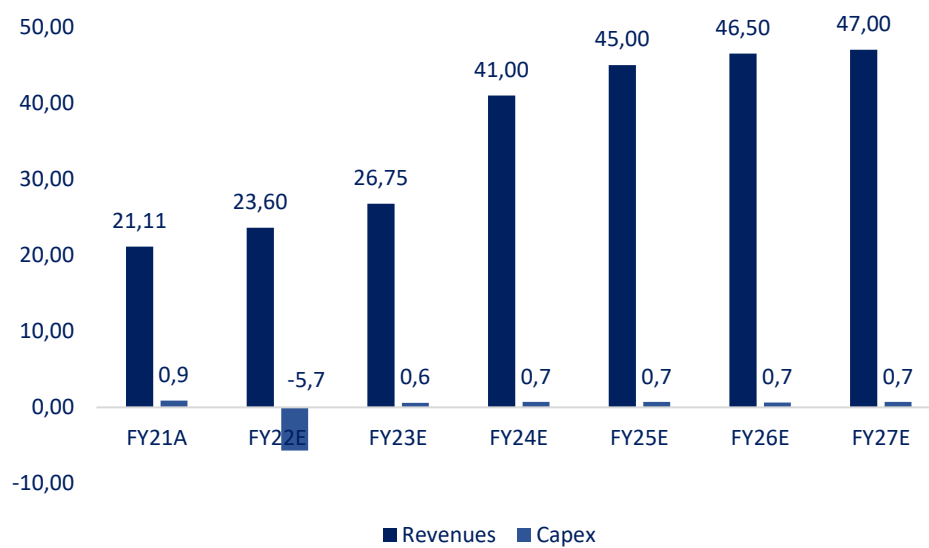
Source: Integrae SIM

**Chart 4 – Margin FY21A - FY27E**



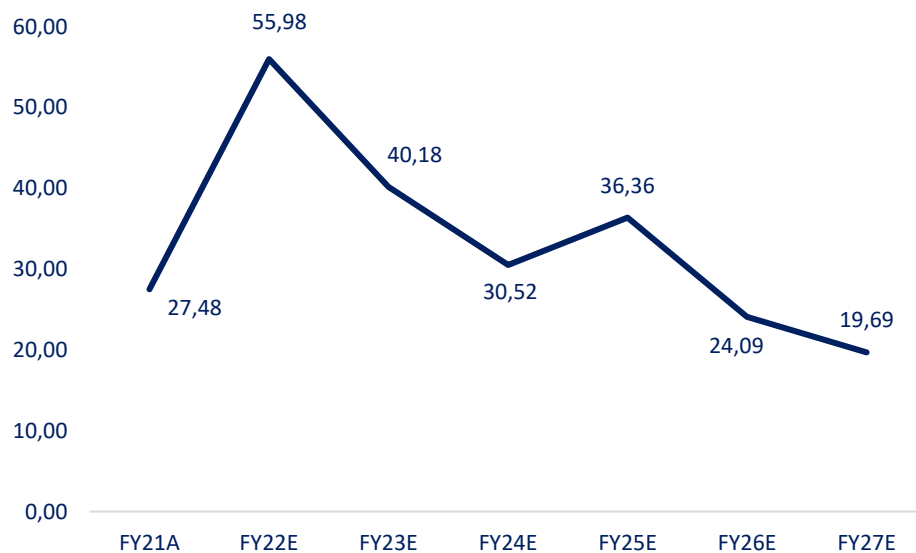
Source: Integrae SIM

**Chart 5 – Capex FY21A - FY27E**



Source: Integrae SIM

**Chart 6 – NFP FY21A - FY27E**



Source: Integrae SIM

## 2. Valuation

We have conducted the valuation of Borgosesia equity value based on the DCF methodology and market multiples of a comparable companies sample.

### 2.1 DCF Method

**Table 4 – WACC**

WACC		8,09%
Risk Free Rate	2,18% $\alpha$ (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	0,8
D/E (average)	81,82% Beta Relevered	1,3
Ke	12,06% Kd	4,50%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 8.09%.

**Table 5 – DCF Valuation**

DCF Equity Value		88,0
FCFO actualized	14,9	13%
TV actualized DCF	100,6	87%
<b>Enterprise Value</b>	<b>115,5</b>	100%
NFP (FY21A)	27,5	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 88.0 million**.

**Table 6 – Equity Value – Sensitivity Analysis**

€/mln		WACC						
		6,6%	7,1%	7,6%	8,1%	8,6%	9,1%	9,6%
Growth Rate (g)	2,5%	176,3	151,4	131,4	115,0	101,3	89,7	79,7
	2,0%	155,9	135,4	118,6	104,5	92,6	82,4	73,5
	1,5%	139,5	122,3	107,9	95,7	85,2	76,1	68,1
	1,0%	126,1	111,3	98,8	88,0	78,7	70,6	63,4
	0,5%	114,8	102,0	91,0	81,4	73,0	65,7	59,1
	0,0%	105,3	94,0	84,2	75,6	68,0	61,3	55,3
	-0,5%	97,1	87,0	78,2	70,5	63,6	57,4	51,9

Source: Integrae SIM

## 2.2 Market multiples

Our panel is made up of companies operating in the same sector as Borgosesia. These companies are the same ones used for the calculation of Beta for the DCF method. The Panel is composed of:

**Table 7 – Market Multiples**

Company Name	EV/EBITDA (x)			EV/EBIT (x)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
<b>doBank SpA</b>	5,0	4,7	4,3	10,2	8,0	6,9
<b>Intrum AB</b>	6,1	5,6	5,3	11,8	10,3	9,3
<b>DeA Capital S.p.A.</b>	N/A	N/A	N/A	N/A	N/A	N/A
<b>Abitare In SpA</b>	N/M	N/M	929,0	N/M	N/M	941,1
<b>Tikehau Capital SCA</b>	10,5	10,7	9,4	10,6	10,5	9,4
<b>Peer median</b>	<b>6,1</b>	<b>5,6</b>	<b>7,4</b>	<b>10,6</b>	<b>10,3</b>	<b>9,3</b>

Source: Infinitals

**Table 8 – Market Multiples Valuation**

€/mln	FY22E	FY23E	FY24E
<b>Enterprise Value (EV)</b>			
EV/EBITDA	85,3	81,6	110,3
EV/EBIT	140,7	143,2	132,6
<b>Equity Value</b>			
EV/EBITDA	29,3	41,4	79,7
EV/EBIT	84,7	103,0	102,1
<b>Equity Value post 25% discount</b>			
EV/EBITDA	22,0	31,1	59,8
EV/EBIT	63,6	77,3	76,6
<b>Average</b>	<b>42,8</b>	<b>54,2</b>	<b>68,2</b>

Source: Integrae SIM

The equity value of Borgosesia using the market multiples EV/ EBITDA e EV/EBIT is equal to € 73.4 million. To this value, we applied a 25,0% discount: the result is an **equity value equal to € 55.0 mln.**



## 2.3 Equity Value

**Table 9 – Equity Value**

<b>Average Equity Value (€/mln)</b>	<b>71,5</b>
Equity Value DCF (€/mln)	88,0
Equity Value multiples (€/mln)	55,0
<b>Target Price (€)</b>	<b>1,50</b>

Source: Integrae SIM

The result is an average equity value of € 71.5 million. **The target price is, therefore, € 1.50 (prev. € 1.35). We confirm BUY rating and MEDIUM risk.**

**Table 10 – Target Price Implied Valuation Multiples**

<b>Multiples</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EV/EBITDA	7,1x	6,8x	6,6x
EV/EBIT	7,5x	7,1x	7,0x

Source: Integrae SIM

**Table 11 – Current Price Implied Valuation Multiples**

<b>Multiples</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
EV/EBITDA	4,1x	3,9x	3,8x
EV/EBIT	4,3x	4,1x	4,0x

Source: Integrae SIM

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21/07/2022	0,65	Buy	1,35	Medium	Initiation of Coverage
25/07/2022	0,67	Buy	1,35	Medium	Flash Note
26/07/2022	0,67	Buy	1,35	Medium	Flash Note

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR $\geq$ 7.5%	ETR $\geq$ 10%	ETR $\geq$ 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR $\leq$ -5%	ETR $\leq$ -5%	ETR $\leq$ 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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