

Company Note

MID CORPORATE

EdiliziAcrobatica

Strong 1H22 thanks to Bonus Facciate 60%

Supported by Bonus Facciate 60%, EdiliziAcrobatica recorded strong revenues in 1H22. The company opened three new direct branches in Italy, reaching 80 units and 1,538 workers. Looking forward, projects related to the SuperBonus 110% should represent an increasing source of revenues in the coming semesters and compensate for the expected reduction in Bonus Facciate projects given the end of the incentive by year-end.

1H22 results

In 1H22, EdiliziAcrobatica recorded an increase of +85% in revenues, coming in at EUR 67.9M vs. EUR 36.8M in 1H21, supported by the backlog of the Bonus Facciate 90% at YE21 and the current bonus at 60% starting from January 2022, which is continuing to drive volumes up in Italy. EBITDA more than tripled and reached EUR 21.8M vs. EUR 7.0M in 1H21, with an EBITDA margin of 32%. Net income reached a record of EUR 10.6M vs. our estimate of EUR 6.9M while net cash improved to EUR 6.8M.

Outlook and estimates

In light of the solid 1H22 results and mostly the backlog of subscribed contracts at August, we believe the company should continue to record robust results also in 2H22. In fact, we believe that clients could rush to sign contracts before the year-end in order to benefit from the fiscal incentive that is expected to end by 31 December 2022, which should constitute a tailwind for EdAc's volumes in 1H23. Going forward, we project a reduction of -20% in works related to the Bonus Facciate 60%, which in turn should be compensated by an increase in activities related to the Superbonus 110% (EUR 35M in FY23E vs. EUR 7.5M in FY22E). Management is also working to increase revenues from France and Spain and its multiservice business in Italy. Overall, we revise upwards our net income forecasts by 40.3% in 2022E and 8.6% in 2023E.

Valuation

Following our estimates revision and increase in WACC to 9.8% (previously 7.9%), our updated DCF model points to **a new target price of EUR 25.5/share** (from EUR 26.5/share). Given the implied potential upside of around 70%, **we confirm our BUY rating**.

25 October 2022: 11:19 CET
Date and time of production

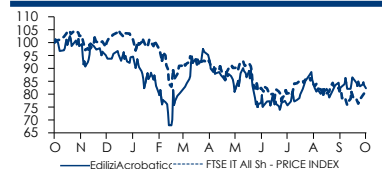
BUY

Target Price: EUR 25.5
(from EUR 26.5)

Italy/Building Maintenance Services
Update

EGM (ex-AIM)

Price Performance
(RIC: EDAC.MI, BB: EDAC.IM)



EdiliziAcrobatica - Key Data

Price date (market close)	21/10/2022
Target price (EUR)	25.5
Target upside (%)	68.43
Market price (EUR)	15.14
Market cap (EUR M)	123.45
52Wk range (EUR)	18.9/12.5

Price performance %	1M	3M	12M
Absolute	-0.3	8.8	-17.7
Rel. to FTSE IT All Sh	1.7	8.0	2.4

Y/E Dec (EUR M)	FY21A	FY22E	FY23E
Revenues	87.68	127.8	140.1
EBITDA	21.28	39.61	32.63
EBIT	18.33	36.56	29.23
Net income	11.09	19.96	16.70
EPS (EUR)	1.36	2.45	2.05
Net debt/-cash	-3.61	-14.09	-21.96
Adj P/E (x)	9.1	6.2	7.4
EV/EBITDA (x)	4.6	2.8	3.4
EV/EBIT (x)	5.4	3.1	3.8
Div ord yield (%)	2.4	6.5	9.7

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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1H22 Results

The lowering of the Bonus Facciate from 90% to 60% did not stop EdiliziAcrobatica from recording robust revenues. In fact, 1H22 metrics were above our estimates. In detail:

- **Revenues in 1H22 almost doubled (+85%) coming in at EUR 67.9M** vs. EUR 36.8M in 1H21, supported by the backlog of the Bonus Facciate 90% at YE21 and the current bonus at 60% starting from January 2022, which is continuing to drive volumes up in Italy. Volumes of services delivered on Italian construction sites were up by 93.7%, confirming the positive trend in the reference industry. Revenues from Energy Acrobatica 110 came in at EUR 1.4M;
- **French activities increased by 41.8% and reached EUR 2.4M** vs. EUR 1.7M in 1H21. The company has 69 employees in France. The Spanish entity's revenues in 1H22 were EUR 0.4M;
- As of 30 June 2022, **the company had 80 branches in Italy while the workforce increased to 1,538** (direct employees and franchising) with the aim to hire 300 more people by end-2022;
- **EBITDA more than tripled and reached EUR 21.8M** vs. EUR 7.0M in 1H21, while the EBITDA margin was 32%;
- **EBIT came in at EUR 20.9M**, up by +278% yoy with an EBIT margin of 31% as the company does not have significant D&A;
- **Net income reached a record of EUR 10.6M** vs. our estimate of EUR 6.9M. Net cash improved to EUR 6.8M.

EdiliziAcrobatica – 1H22 results

EUR M	1H20A	1H21A	FY21A	1H22A	1H22E	A/E%	yoy%
Net revenue	18.7	36.8	87.7	67.9	70.1	-3.1	85.0
EBITDA	1.4	7.0	21.3	21.8	14.1	54.6	211.7
EBITDA margin (%)	7.3	18.9	24.3	32.1	20.1		
EBIT	0.4	5.5	18.3	20.9	12.3	69.9	278.0
Net Income	0.0	1.6	11.1	10.6	6.9	53.6	566.0
Net debt/-cash	3.3	7.7	-3.6	-6.8	-7.2	-5.6	

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

Outlook and recent developments

In 1H22, EdiliziAcrobatica reported an increase of 27% in subscribed contracts to EUR 70M vs. EUR 55M in 1H21, for the first half year of Bonus Facciate at 60% vs. 90% in 2021. Moreover, at end-August, EdiliziAcrobatica counted on a total of approx. 1,564 employees (both direct and franchisees) vs. 1,245 a year ago, an increase in the workforce of +26%. French activities increased by +57% and reached EUR 220,000 vs. EUR 140,000 in August 2021, while the franchising business also improved by +30% at EUR 3.37M vs. EUR 2.59M a year ago.

In light of the solid 1H22 results and mostly the backlog of subscribed contracts at August, we believe the company should continue recording robust results also in 2H22. In fact, we believe that many clients could rush to sign contracts before year-end in order to benefit from the fiscal incentive that is expected to end by 31 December 2022, which should constitute a tailwind for EdAc's volumes in 1H23. We note that upon the election of the new government, we see discussions related to the extension of the above-mentioned bonus in the coming weeks/months. However, we do not incorporate this possibility into our projections.

Considering the recession risks coupled with the end of Bonus Facciate 60%, we estimate a diminution of 15% yoy in works related to this above-mentioned bonus in 2023. We do not see a sharp reduction in volumes as many Italian buildings are obligated to repair their facades to prevent some related risks (not only embellish them). After an initial set up phase and bureaucracy, we forecast an acceleration of Superbonus 110% works (supported by recent backlog) which should reach EUR 35M in 2023.

Management intends to increase its multiservice business and enlarge its commercial offer mainly to condominiums but also to corporates, leveraging on its capillary network and its EAcondominio app that is aimed to become a reference point for condominium administrators.

M&A: After the creation of a new company in the Principality of Monaco, namely, EdiliziAcrobatica Monaco S.A.M, EdAc is steadily evaluating possible targets to enter into new markets. The strong cash position should further facilitate a deal in the coming quarters.

Estimates revision

Considering the above-mentioned points (and excluding any potential M&A for the time being), we revise our estimates as follows:

- We raise our FY22E revenue estimates (net of financial charges related to credit transfer) to EUR 127.8M, +2.4% vs. our previous estimate. We incorporate a yoy increase in FY23E of 9%;
- We increase our net margin gradually to 15.6% in FY22E and to 11.9% in FY23E (from 11.4% in FY21A), mainly due to the end of Bonus Facciate 60% at YE22. We see net profit increasing to EUR 20.0M in FY22E to then decline to EUR 16.7M in FY23E.

Robust backlog in 9M22

Expected strong 2H22; possibility of extension of Bonus Facciate beyond Dec22

Reduction in Bonus Facciate projects should be compensated by Superbonus 110% and a raise in foreign activities

Multiservice business should grow at double digit rate in next years

M&A to drive expansion

EdiliziAcrobatica – Top-line assumptions (2019A-23E)

EUR M	2019A	2020A	2021A	2022E	2023E
Italy	33.4	39.3	86.2	106.2	87.9
PoS	45	59	77	87	90
Revenue per PoS	0.74	0.67	1.12	1.22	0.98
Franchising (Italy)	2.6	2.3	5.1	5.6	5.7
offices	33	35	30	33	35
Revenues per franchisee	0.08	0.06	0.17	0.17	0.16
Energy Acrobatica 110			0.7	7.5	35.0
Total Italy	35.9	41.5	92.0	119.3	128.6
France	3.3	3.1	3.4	6.0	8.5
PoS	5	8	8	10	12
Revenue per PoS	0.66	0.39	0.34	0.50	0.52
Spain			0.5	2.5	3.0
Revenues	39.2	44.7	95.9	127.8	140.1
Others	2.6	1.5	1.8	1.2	0.5
Value of production	41.8	46.2	97.7	129.0	140.6

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

EdiliziAcrobatica – Estimates revision (FY22-23E)

EUR M	2022E Old	2022E New	Chg %	2023E Old	2023E New	Chg %
Revenues	124.8	127.8	2.4	137.7	140.1	1.7
EBITDA	26.3	39.6	50.8	28.5	32.6	14.3
EBITDA margin (%)	21.0	31.0	47.3	20.7	23.3	12.4
EBIT	23.2	36.6	57.5	25.1	29.2	16.3
EBIT margin (%)	18.6	28.6	53.8	18.3	20.9	14.3
Net profit	14.2	20.0	40.3	15.4	16.7	8.6
Net margin	11.4	15.6	37.0	11.2	11.92	6.8
Net debt	-8.9	-14.1	57.8	-17.5	-22.0	25.4

NM: not meaningful; E: estimates; Source: Intesa Sanpaolo Research

Our revenue assumptions are net of the financial charges related to the tax credit transferred to banks, which we estimate at approx. 12% of gross revenues.

Valuation

We believe that the most appropriate methodology to value EdAc is a DCF valuation, due to the absence of listed companies of a similar size, background and/or geographical presence. Furthermore, we highlight that our valuation does not include any potential opportunities arising from external growth which, according to management, should be a key strategic pillar for the group in the next few quarters/years.

Our DCF model points to a **fair value of EUR 25.5/share** (from EUR 26.5/share previously) and, given the around 70% potential upside, **we confirm our BUY rating**.

New TP of EUR 25.5/share; BUY

DCF model

We maintain our valuation approach calculating our TP using a DCF-based valuation, incorporating our FY22E-23E estimates and a WACC of 9.8% (previously 7.9%) calculated on:

- A 3.0 % risk-free rate (previously 1.75%);
- A 6.50% equity risk premium (previously 6.25%);
- A gearing ratio of 0%, as the company is already cash positive.

EdiliziAcrobatica – WACC calculation (%)

Risk-free rate	3.0
Equity risk premium	6.5
Beta (x)	1.0
Cost of equity	9.8
Net Cost of Debt	2.1
Gross Cost of Debt	3.3
Tax rate	35
Gearing	0.0
WACC	9.8

Source: *Bloomberg and Intesa Sanpaolo Research estimates

To calculate LT, we use a 0% terminal value growth to incorporate a growth path (new branches and expansion in Europe), which should go beyond FY23E but also the termination of fiscal incentives in Italy. As usual, in the long term, capex equals depreciation.

EdiliziAcrobatica – DCF calculation

EUR M	FY22E	FY23E	LT
Revenues	127.8	140.1	140.1
Change yoy (%)	45.8	9.6	0.0
EBIT	36.6	29.2	29.2
EBIT margin (%)	28.6	20.9	20.9
Taxes	-11.0	-9.2	-9.2
NOPAT	25.5	20.0	20.0
D&A	3.1	3.4	
Capex	-2.5	-2.5	
NWC changes	-7.7	-2.1	
FCF	18.4	18.9	20.0
Discounted FCF	18.4	17.2	16.6
WACC (%)	9.8		
Perpetuity growth rate (%)	0.0		
NPV of cash flows	35.6		
NPV of terminal value	170.5		
EV	206.1		
NFP @FY21A	(3.6)		
Employee benefits	0.0		
Minorities	-2.0		
Equity value	207.7		
N of shares fully diluted (M)	8.2		
Value per share (EUR)	25.5		

E: estimates; Source: Intesa Sanpaolo Research

Multiples' analysis as a cross-check

There are no listed peers that perfectly match EdAc's business model, size and geographical presence. Therefore, in our peers' analysis, we selected companies active in a business similar to EdAc's one, but also in the larger Industry of Facility Management services. We compared EV/EBITDA, EV/EBIT and P/E for FY22E and FY23E multiples. We calculate a fair value per share ranging between EUR 28.7/share and EUR 61.8/share, with an average value of EUR 42.4/share

EdiliziAcrobatica – Multiples comparison

x	FY22E			FY23E		
	EV/EBITDA	EV/EBIT	P/E	EV/EBITDA	EV/EBIT	P/E
ABM Industries	8.0	10.8	11.4	7.3	10.0	11.2
Mears Group	2.5	5.9	8.7	3.2	7.9	9.4
Rentokil Initial	18.7	28.3	26.7	13.6	19.0	22.6
HomeServe	3.2	3.5	3.6	4.2	4.8	5.4
GDI Integrated Facility Services	14.2	18.5	24.3	13.1	16.6	21.6
Average	9.3	13.4	14.9	8.3	11.7	14.0
EdAc EBITDA (EUR M)	39.6			32.6		
EdAc EBIT (EUR M)		36.6			29.2	
EdAc net income (EUR M)			20.0			16.7
EdAc net debt/-cash (EUR M)	-14.1	-14.1		-22.0	-22.0	
EV (EUR M)	368.8	489.5		270.5	340.8	
Fair value (EUR M)	382.9	503.6	298.0	292.4	362.8	234.4
Fair value per share (EUR)	47.0	61.8	36.5	35.9	44.5	28.7
Avg. fair value per share (EUR)	42.4					

Price at market close of 21/10/2022; Source: Bloomberg and Intesa Sanpaolo Research estimates for EdAc

EdiliziAcrobatica – Key Data

Rating	Target price (EUR/sh)	Mkt price (EUR/sh)			Sector
BUY	Ord 25.5	Ord 15.14			Building Maintenance Services
Values per share (EUR)	2019A	2020A	2021A	2022E	2023E
No. ordinary shares (M)	8.05	8.15	8.15	8.15	8.15
Total no. of shares (M)	8.05	8.15	8.15	8.15	8.15
Market cap (EUR M)	47.81	45.21	100.65	123.45	123.45
Adj. EPS	0.14	0.22	1.36	2.45	2.05
BVPS	1.4	1.6	2.7	4.9	6.0
Dividend ord	0.10	0.21	0.30	0.98	1.46
Income statement (EUR M)	2019A	2020A	2021A	2022E	2023E
Revenues	39.22	44.66	87.68	127.8	140.1
EBITDA	4.21	5.00	21.28	39.61	32.63
EBIT	2.32	3.15	18.33	36.56	29.23
Pre-tax income	2.04	2.84	17.09	31.06	26.23
Net income	1.11	1.76	11.09	19.96	16.70
Adj. net income	1.11	1.76	11.09	19.96	16.70
Cash flow (EUR M)	2019A	2020A	2021A	2022E	2023E
Net income before minorities	1.1	1.8	11.1	20.0	16.7
Depreciation and provisions	1.9	1.9	3.0	3.1	3.4
Others/Uses of funds	0	0	0	0	0
Change in working capital	-3.6	-5.7	1.8	-7.7	-2.1
Operating cash flow	-0.6	-2.1	15.8	15.4	18.4
Capital expenditure	-4.0	-3.0	-2.8	-2.5	-2.5
Financial investments	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0
Free cash flow	-4.6	-5.1	13.0	12.9	15.9
Dividends	0	-0.8	-1.7	-2.4	-8.0
Equity changes & Non-op items	-0.2	0.9	0	0	0
Net cash flow	-4.8	-5.0	11.3	10.5	7.9
Balance sheet (EUR M)	2019A	2020A	2021A	2022E	2023E
Net capital employed	14.2	20.6	18.5	25.6	26.8
of which associates	0	0	0	0	0
Net debt/-cash	2.7	7.7	-3.6	-14.1	-22.0
Minorities	0	0	0.0	0.1	0.4
Net equity	11.5	12.9	22.1	39.7	48.8
Minorities value	0	0	1.1	2.8	10.8
Enterprise value	50.5	52.9	98.1	112.2	112.3
Stock market ratios (x)	2019A	2020A	2021A	2022E	2023E
Adj. P/E	43.2	25.7	9.1	6.2	7.4
P/CFPS	17.2	15.7	7.2	5.4	6.1
P/BVPS	4.1	3.5	4.5	3.1	2.5
Payout (%)	70	99	22	40	71
Dividend yield (% ord)	1.6	3.9	2.4	6.5	9.7
FCF yield (%)	-9.6	-11.3	13.0	10.5	12.9
EV/sales	1.3	1.2	1.1	0.88	0.80
EV/EBITDA	12.0	10.6	4.6	2.8	3.4
EV/EBIT	21.8	16.8	5.4	3.1	3.8
EV/CE	3.6	2.6	5.3	4.4	4.2
D/EBITDA	0.63	1.5	Neg.	Neg.	Neg.
D/EBIT	1.1	2.4	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	2019A	2020A	2021A	2022E	2023E
EBITDA margin	10.7	11.2	24.3	31.0	23.3
EBIT margin	5.9	7.0	20.9	28.6	20.9
Tax rate	NM	NM	NM	NM	NM
Net income margin	2.8	3.9	12.6	15.6	11.9
ROCE	16.3	15.3	98.9	142.6	109.1
ROE	10.3	14.4	63.3	64.5	37.7
Interest cover	-8.4	-10.5	-14.8	-6.6	-9.7
Debt/equity ratio	23.1	59.8	Neg.	Neg.	Neg.
Growth (%)		2020A	2021A	2022E	2023E
Sales		13.9	96.3	45.8	9.6
EBITDA		18.7	NM	86.1	-17.6
EBIT		35.6	NM	99.4	-20.1
Pre-tax income		39.1	NM	81.7	-15.6
Net income		58.7	NM	80.0	-16.3
Adj. net income		58.7	NM	80.0	-16.3

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Company Snapshot

Company Description

EdiliziAcrobatica S.p.A. is the Italian leader in building maintenance services. The company offers renovation, securing and prompt intervention, installation, building cleaning, proofing, maintenance and rebuilding services. EdiliziAcrobatica is headquartered in Genova and has a capillary presence with 85 offices in Italy. In 2019, it entered the French market through the acquisition of "ETAIR méditerranée", as of 1 January 2021, the company can count on 8 offices in France. In May 2021, EdiliziAcrobatica entered the Spanish market. As of March 2022, the company can count on 1,473 employees (Direct and franchises).

Key data

Mkt price (EUR)	15.14	Free float (%)	23.9
No. of shares	8.15	Major shr	Arim holding
52Wk range (EUR)	18.9/12.5	(%)	75.2
Reuters	EDAC.MI	Bloomberg	EDAC.IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	-0.3	-1M	1.7
-3M	8.8	-3M	8.0
-12M	-17.7	-12M	2.4

Key Risks

Company specific risks:

- Labour intensive business model, requiring highly-skilled workers;
- Still high exposure to the Italian market;
- Credit collection takes long time.

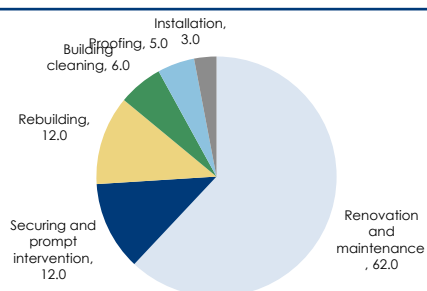
Sector generic risks:

- Possible rising competition from either the traditional business of construction works with scaffolds or from new competitors given low entry barriers;
- Difficulties to replicate the model outside Italy, also in light of different regulatory landscapes;
- A significant change in the Regulatory framework.

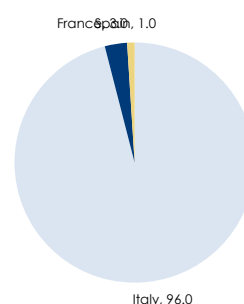
Estimates vs. consensus

EUR M (Y/E Dec)	2021A	2022E	2022C	2023E	2023C	2024E	2024C
Sales	87.68	127.8	NA	140.1	NA	NA	NA
EBITDA	21.28	39.61	NA	32.63	NA	NA	NA
EBIT	18.33	36.56	NA	29.23	NA	NA	NA
Pre-tax income	17.09	31.06	NA	26.23	NA	NA	NA
Net income	11.09	19.96	NA	16.70	NA	NA	NA
EPS (€)	1.36	2.45	NA	2.05	NA	NA	NA

Sales breakdown by service - FY21 (%)



Sales breakdown by geography - FY21 (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 21/10/2022)

Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation around EUR 1Bn.

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Equity Research Publications in Last 12M

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Equity rating key: (long-term horizon: 12M)

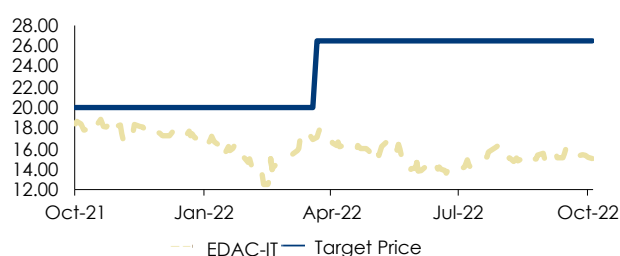
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Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

The 12M rating and target price history chart(s) for the companies currently under our coverage can also be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: <https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history-12-months->. Note: please also refer to <https://group.intesasanpaolo.com/it/research/equity-credit-research/equity> in applicable cases for the ISP-UBI Equity Ratings Reconciliation Table, the archive of ex-UBI's previously published research reports and 12M historical recommendations.

Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
11-Apr-22	BUY	26.5	17.1

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at October 2022)**

Number of companies considered: 127	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage relating to last rating (%)*	65	18	17	0	0
of which Intesa Sanpaolo's Clients (%)**	83	39	55	0	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and investment banking services in the last 12 months; percentage of clients in each rating category

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Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

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Equity rating key (short-term horizon: 3M)

Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

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