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THE SUPPLY AND DEMAND OF FINANCIAL INFORMATION ON LISTED REAL ESTATE COMPANIES

Abstract

This work aims to clarify exactly hat financial information is effectively used in the real estate sector by the main information intermediaries, namely the financial analysts. This clarification will doubtless prove useful in better understanding the degree of alignment between the users' need for information and the information that is effectively disseminated by the real estate companies.

To this end, we began by analysing the reports produced by the analysts in 2010-2012, in relation to Italian listed real estate companies on the "FTSE Real Estate" index. The time frame specified was chosen because it is entirely plausible to consider that, during this period, both Consob and EPRA recommendations on the financial disclosures required to the market of real estate companies were applied in full. Thus the studies available in the Borsa Italiana S.p.A. "Studies and Research" archives as at April 2013 were considered, with a total of 39 reports available for the six listed companies studied.

Having analysed the analyst reports, we then compared the best practices recorded with the information generally disclosed during this same period, by the same companies in their market presentations.

Although in no way claiming that this study will provide a faithful, statistically-appropriate presentation of the relationship between communications made by real estate companies and information effectively used, we believe that this work will be useful, because it broaches a subject matter that has not yet been handled in detail by national and international doctrine, thereby bridging a gap in our current knowledge. Moreover, the summary of the main information contents and logical structures of the different documents considered, as indeed the indication of the main trends

seen in the disclosures made on real estate companies, should prove useful in directing future, more in-depth investigations.
The analysis would appear to specifically reveal a partial discrepancy between the information used by the analysts and that disclosed by the companies in their market presentations. This misalignment would, however, appear to be justified by the substantial difference between the purpose of the companies' market presentation, and the analysts' reports. In the former, the companies seek to draw the attention of the analysts and the market in general to aspects revealing the company as a solid entity with future growth potential. The analysts' reports, on the other hand, would instead appear to aim to provide the market (buy-side) with timely investment information and, at the same time, constitute a form of "solid" support of their evaluation.

1. Methodology and data used

In order to understand the existence of a possible alignment of the information supplied by the companies in their market presentations (particularly through the presentation of business plans) and the information used by financial analysts as a basis on which to form their opinions, we decided to compare the recurring information seen in the analysts' reports for a sample of Italian real estate companies, with the information generally disclosed during the same time frame by the same companies in their market presentations. Although in no way claiming that this study will provide a faithful, statistically-appropriate presentation of the relationship between communications made by real estate companies and information effectively used by the market operators, this analysis will, however, reveal certain trends that should prove useful to guiding future, more in-depth investigations.
To this end, we began by analysing the reports produced by the analysts, for preference in 2010-2012, or earlier if no more recent studies were available, in relation to Italian listed real estate companies on the "FTSE Real Estate" index. The time frame specified was chosen because it is entirely plausible to consider that, during this period, both Consob and EPRA recommendations on the financial disclosures required to the market of real estate companies were applied in full. The only reports used were the studies available in the Borsa Italiana S.p.A. "Studies and Research" archives as at April 2013 were considered, with a total of 39 reports

available for the six listed companies studied. For three of the six companies considered, the analysts' reports for the period 2010-2012 were not available; we therefore considered studies relating to a previous period, but no earlier than FY 2007, beyond which the risk was too high of differences brought about by the distancing from the mentioned recommendations (Consob and EPRA). Consequently, indications would have been generated that may have been misleading and in any case would have been difficult to compare with the other studies considered.

Faced with the indications that emerged from the analysis of the analysts' reports, the next step is to proceed with a study of the presentations made by the same companies to the market during the same period of time (16 documents available from 2008 to 2012).

The table 1 below gives some summary data on the real estate companies considered, to help better understand the nature of the company studied.

The table reveals a clear distinction between two companies (Beni Stabili and IGD) and the other companies considered, both in terms of dimension (expressed here as total assets) and economic results achieved (albeit summarised here as EBIT).

In view of literature produced by analysts on the matter, it is therefore entirely plausible that these companies are those most likely to communicate with the market, precisely because they are larger companies and their economic performance is clearly better (Lang-Lundholm, 1993). At the same time, these same companies should also be those that, following the better quality of communication, receive greater attention from the analysts (in other words, have the greatest number of analysts interested in the security) and therefore have the greatest number of reports available and a greater accuracy and higher quality in the opinions given, making said opinions accordingly less volatile over time (Lang-Lundholm, 1996).

Table 1 – Business profile of the companies considered

	Description of business	Floating (shareholders <2%)	a) no. shares traded (daily avg)	b) no. shares issued	a/b (%)	No. contracts per day (period avg)	Volatility	Turnover velocity (%)	Total assets	NP	EBIT
Aedes	High value added property services (asset management, advisory, zone planning, intermediation, shopping centre management) and co-investments in funds and JVs in development and trading (fund management, real estate fund management)	49.81	231,351	991,126,791	0.02	126	43.76	58.80	879.195	283.631	-36.394
Beni Stabili	Office segment in the main cities of central and north Italy (management, construction and requalification, consulting services for territorial entities, real estate fund management)	20.00	2,970,638	1,916,392,904	0.16	636	27.83	39.06	4,717.700	1,934.200	186.900
Brioschi	Property development of innovative complexes in large urban areas (integrates activity with income-earning investments and the purchase and sale of property complexes)	32.74	539,044	787,664,845	0.07	45	26.81	17.25	550.533	184.433	-8.633
Gabetti	Real estate services for corporate and retail clients (property intermediation, technical and advisory services, energy certifications, appraisals, valuations, property and facility management)	0.00	893,034	277,451,827	0.32	61	26.29	81.11	192.028	0.214	-12.746
IGD-Siiq	Focus on large shopping centres/hypermarkets/superstores and shopping galleries (strategic partnerships with COOP). Rental management of centres (property management) and property services (facility management and agency) for owned and third party centres	31.79	258,380	330,025,283	0.08	144	22.94	19.73	1,984.100	764.733	83.100
Prelios	Repositioning on pure property management activities (third party portfolio management), also offering property management, agency and credit servicing services	70.09	5,336,475	841,171,777	0.63	279	34.69	159.87	1,080.800	332.067	-25.800

Source: Borsa Italiana S.p.A. and Capital IQ for the financial data. The financial data given represents the average values for 2010-2012; it is given in millions of Euros. The data on share trades, contracts, volatility and turnover capacity refers to the period 02/01/2013 - 24/04/2013

The different type of activities of the main two companies recalled above will also enable us to grasp some aspects of the logical reasoning used by the analysts, to highlight if, and to what extent, the main attention paid by a company towards the real estate business for office use, or commercial and retail, can actually affect the analyses performed by the analysts and the information they consider truly useful.
It will be interesting to see if this potentially higher quality of the company communication, the consequent reduction in asymmetry of information and the higher quality analyst evaluations do actually result in higher quality information in said analysts' reports. If this was to be the case, the reports could be considered as very useful indeed in terms of understanding the evaluation logics used by analysts and, consequently, in considering the effective usefulness for market operators of the information required by said recommendations and that effectively disclosed by the real estate companies.
Before analysing the contents of the reports considered, it would appear best to first suitably summarise the number and dimension of these reports, also considering the analyst following for each company in the period considered, as resulting from the information supplied by Borsa Italiana S.p.A. (Table 2).

Table 2 – Number of studies considered and average number of pages

	No. of studies	*No. of analysts involved*	*Avg. no. of pages in study*	*Reference period*
Aedes	6	2	7	2007/2008
Beni Stabili	9	4	12.5	2010/2012
Brioschi	1	1	12	2007
Gabetti	1	1	7	2007
IGD-Siiq	20	2	5	2010/2012
Prelios	2	1	22	2010/2012

The first revelation that comes from the table above is that expected, namely that most of studies available relate to the larger companies which showed overall better average performances in the period considered, therefore Beni Stabili and IGD, respectively with 9 and 20 reports during the period 2010-2012. As already mentioned, these companies are also the only ones on the list of EPRA real estate companies (as per the EPRA list of companies as at 17 January 2013).

The average number of pages in the reports only exceeds 8 for some specific studies that are at times particularly abundant and complex (from 20 to 35 pages), because they fall within extended reports covering the whole reference sector and which therefore affect the average values recorded for certain companies (Beni Stabili and Prelios).

2. The content of the financial analyst reports

An analysis of the analyst reports first reveals that the reports tend to be the same length (averaging out as no more than 8 pages) and have a similar general make-up in the document, in terms of the logical order in which the various aspects are discussed.

Clearly, each report covers four main arguments, albeit to a greater or lesser degree and complexity, generally broached in the following order: i) analysis of company profitability; ii) security performance; iii) analysis of dividend and cash flow policies; and, finally, iv) summary of the company's main economic, equity, financial and valuation indicators (generally referred to as the "multiples").

In analysing the contents of the reports, it is important to consider their purpose. If the reports are intended to provide indications on how appropriate it may be to invest in or divest a given security, regardless of the specific sector in which the company concerned operates, the document certainly has to include an analysis of the share price trend, particularly as compared with the trend of the share unitary value estimated by the analyst. This information enables us to note any investment opportunities in a given company, particularly where the analysis should reveal a share value that is clearly below ("discounted") the company's economic value - clearly expressed per individual share.

Again in considering the purpose of the analysts' studies, it comes as no surprise to see the importance acknowledged in the documents of the companies' dividend policies (the "dividend yield"). The dividend is, in fact, first and foremost a way of remunerating current shareholders and can thus be considered as a sort of immediate partial realisation of the value generated by the company, or better, as an effective return on the investment made, which, however, reduces the intrinsic value of the security, resulting in the potential removal of resources from future company management. The different types of investors (short or medium/long-term) may, therefore, interpret the presence of dividends differently and, in particular, their entity. Payment of dividends is also an effective cash outlay by the company, and can thus clearly not be ignored in analysing the financial situation; it may even give rise to tension in liquidity management or worsen the financial position where the timing coincides with repayment of debt or a potential reduction in operating cash flow.

2.1. Profitability analysis

Dealing with the various aspects in order, the first one that would appear to be covered by the studies is the analysis of the company's economic trend. The reference figure is generally EBITDA, for which the latest trends are analysed, together with the forecast future prospects, also thanks to a principal component analysis of the revenue and cost items determining it (for more details, refer, for example, on Kepler's Report on AEDES dated 09/03/2007).
The main focus generally seen for EBITDA would not appear to be justified by the fact that they are real estate companies; rather, this figure, which is net of depreciation, amortisation and impairment, is not affected by the types of major entries often of greatest worth, and which are also the most manipulable, and thereby potentially able to influence the informative content of the operating income generated.
Regardless of the fact that the companies considered are real estate companies, as for any other type of company, the analysis of economic performance is a useful indicator of the efficiency and economics of management and the genesis of income, on the one hand, and the potential capacity to general cash flows able to reduce the need for finance, improve the financial structure and distribute dividends, on the other.
One specific aspect related precisely to the real estate sector, on the other hand, is the analysis of the main type of positive economic elements in the period, generally comprising rental income for companies involved in managing real estate portfolios. In these cases, as already described in the previous chapters, the stability of revenues depends precisely on the quality (and type) of tenants and on how close the end date of existing rental agreements is. The evolution of the entity of revenues, on the other hand, can potentially be ascribed to two different types of reasoning: the increased rented surface and the rise in rental charges, particularly if contracts are renewed at a time when the economic context is showing considerable consumer growth trends.

It is precisely from this analysis perspective that we must consider the informative contents and the reasoning described in some reports on the main companies considered, and specifically Beni Stabili and IGD, whose core business, as mentioned previously, consists of managing properties for office use (Beni Stabili) and managing shopping centres, hypermarkets and shopping galleries (IGD).

According to the specific nature of the company’s core business, management of portfolios of real estate for office or commercial use, the analysts would in fact appear to focus their attention on specific aspects that differ slightly, albeit within a more general analysis of the possible evolution of revenues. Where the core business consists of managing real estate for office use, for example, the main focus for income trends would appear to be an analysis of tenant quality and of the end dates of contracts in place, thereby seeing property vacancy rates, not only insofar as they already exist, but also, indeed above all, as concerns the risk of any worsening to such, as a key factor.

The presence of high quality tenants (in the specific case in hand, Beni Stabili notes the existence of tenants such as Telecom Italia, Fiat and Prada as providing reassurance on the stability of future income from rentals), would appear to guarantee some form of stability of revenues, particularly where contracts are not scheduled to end in the near future, or at least where the relationship with the tenant would appear to be solid and long-lasting. The existence of medium/long-term contracts, however, despite offering reassurance on the stability of revenues, considerably reduces the trend, almost exclusively limiting it to possible growth related to index-linking or regular price reviews that may be stipulated in the contracts. In short, it would appear that we can summarise the critical aspects as follows (Table 4): i) summary of contractual end dates; ii) possibility of revising rental charges; iii) profile and percentage weighting of the main tenants; and iv) forecast vacancy rate trend.

This analysis, moreover, may be performed with profiles that gain increasing detail, until reaching an analysis per asset managed and, perspectively, for each development project undertaken.

For companies mainly devoted to managing shopping centres, shopping galleries and hypermarkets, on the other hand, regardless of the quality of the tenants, one interesting, non-negligible aspect concerns the sales trends of the actual tenants. For IGD, its core business of managing hypermarkets and shopping centres has, in the eyes of some analysts, justified a specific mention to the latest information available on consumer trends in the countries in which the centres are located, noting the interest in a natural relationship between the capacity by the tenant companies to generate income and risk levels and trends of rental income from commercial premises[1].

More generally, it would appear that we can summarise the reasoning of the analyst as follows: in order to understand the trend of operating income for a real estate company, we must first consider the relative importance of the different businesses in which the company operates; thus we reason the level of risk of future economic trends, considering the quality of the tenants and contract duration. To this end, the relatively safe, stable (and therefore "defensive") nature of the revenue generated by good quality companies with medium/long-term contracts is highlighted, particularly where relations are long-lasting and hinged on trust; this is in clear contrast with that generated by activities that are potentially able to create considerable capital gains, but which are of a rather uncertain, high-risk nature (development activities and pure trading of properties referred to as "mature").

Knowledge of the relative "weight" of the different business types therefore enables us to grasp the concept of business risk as a whole and to forecast a possible operating income trend on the basis of the different portfolios managed, "defensive" and medium/long-term or "dynamic", but high risk[2].

Again in the profitability analysis, for companies also involved in development, one aspect that appeared to be of interest was the in-depth study of the various projects initiated, but here too, the focus would in any case look to be on the analysis of the portfolio to be managed after the actual projects. In these cases too, having first evaluated the reliability of data given on the completion of the projects within the terms considered, the focus then turned to two profiles: i) the dimension of the premises to be managed and their intended purpose; and ii) the potential tenant type and duration of contracts that may be stipulated.

[1] Merely by way of example, the following analysis is mentioned: "Tenants' sales in Italy were weak closing down 3% YoY vs super/hypermarkets (+2.4% in 1Q12) and about 4.5% as far as shopping centres are concerned (-2.4% in 1Q12). Still, we do not expect a market increase in rental discounts and we estimate Eu3.0mn in 2012, slightly above yesterday's indication from management" (Source: Intermonte on IGD dated 29 August 2012).

[2] For one example in this respect, see the Exane BNP Paribas report on Beni Stabili dated 18 May 2010.

These two aspects effectively enable us to evaluate the very existence of a potential market for the assets to be allocated and, above all, the potential entity of the revenues forecast from the rental of the premises managed. The potential nature of the tenants, just like the probable type and duration of contracts to be stipulated, allow the analyst to duly evaluate the risk level and stability of the forecast income, thereby estimating, with some degree of certainty, the future business profitability generated from the conclusion of the projects underway (for more information, see, for example, the report by Cheuvreux on Beni Stabili dated 15 October 2010).

2.2. Estimated investment opportunities: share performance

As already mentioned previously, one aspect that is clearly of interest to the analysts, but which would not appear to introduce any specific information for the real estate companies, is the analysis of share performance in support of subsequent recommendations for investors (purchase, sale of the security or expected in view of future indications).
All the reports examined to some extent analyse share performance, at least noting the price trend as compared with the trend of some market or segment indexes. Another item of information that is sometimes supplied is the point when, within a given time frame, changes were made to the ratings or target price.
Instead, one aspect that would appear to be rather specific and relevant is instead the joint analysis of the share value and intrinsic value of the company examined, in order to identify potentially favourable times to purchase the security.
With specific reference to real estate companies, the intrinsic business value generally consists of what is referred to as the “NNNAV per share”, namely the triple net asset value per share (market value of assets net of liabilities), including any derivatives represented using the cash flow hedge method and deferred tax on any value adjustments. One interesting indicator often used is therefore obtained by comparing the price of the share with the NNNAV per share (generally determined considering the potential dilution effect of financial instruments in issue). The indicator clearly expresses the relationship between the value of the business estimated by the market and its intrinsic value, therefore based on the valuation of the company’s net assets; this therefore reveals any “discount” on the market that may suggest a potential interest in investing in the

security. Where looking at index values of close to one, the market price is therefore more or less in line with the company's "equity" value; otherwise, as the value of the indicator drops, there may be increasing interest in the security, thereby justifying possible opinions by analysts in favour of purchasing the security. The analysis of the indicator mentioned would appear to be of particular interest to analysts, especially if observed over time (as shown in the report by Kepler dated 04 November 2011 on the Beni Stabili share), and in comparison with both that of the main competitor peers and the related mean, and potentially median, value (as can be seen from the report by Intermonte dated 04 October 2012 on the IGD share).

In this case too, the analysis of a relatively complete report in this respect (by Kepler, dated 04 November 2011, on the Beni Stabili share) simplifies the reasoning of the analyst, based on a comparison of the different estimated values and their relationship.

The data that is considered absolutely essential, therefore, is market price, summary opinion (albeit temporary) on the company expressed by the market, the NNNAV, which represents a type of equity value of the company and the value estimated by the analyst, generally obtained from use of the discounted cash flow (DCF) forecasting methods, with clear evidence of the hypotheses used to prepare the estimate (or at least forecast growth rate, average cost of debt capital and own capital).

In this case, the value estimated by the analyst (obtained by using, for example, the DCF method) may represent the possible company target price, whilst the market price and NNNAV per share reveal any excessive, unjustified under-valuations on the market that may make purchase of the security highly recommendable.

Where, in fact, the market price reflects an excessive discount with respect to the NNNAV per share and the value obtained using the DCF, clearly consideration must be given to the reasons for this undervaluation. If the analysis of the breakdown and quality of tenants (as mentioned previously) and type and end date forecast for contracts in place should reveal that income is relatively stable, the focus has to move to the level of debt. If debt is also sustainable, with suitable loan-to-value (LTV) levels and cost of capital, then the opinion given by the analyst has to be very positive and potentially orientated towards a "strong buy". In this respect, see the report by Kepler dated 04 November 2011 on the Beni Stabili share; below are some excerpts:

We value the stock with a DCF model (7.3% WACC, made up of a 9.2% CoE and a 5.8% CoD, and 2% LTG) that points to a fully-diluted EUR0.71 target price. Our valuation implies a 28% discount to the fully-diluted NNNAV of EUR0.988 reported by management at 30 September 2011 and a 15% asset value discount.

(… *omissis*)

The stock now appears very cheap, trading at a record 58% discount to NNNAV (compared with an average 10% for peers) that implies a 29% lower value of assets (or 220bp higher cap rate than the 5.6% reported in mid 2011) than the level at 30 September 2011 and providing an interesting 6.7% dividend yield (compared with 5.3% for peers). Should we assume a 50bp uplift in the underlying cap rate at the end of 2011 compared to the 5.6% in mid 2011, market discount to NNNAV would fall to 26%.

(… *omissis*)

Moreover, we believe the company may be able to overcome the tough market conditions:

1. Its high quality commercial portfolio should prove relatively resilient to downward pressure in terms of both rents (financially healthy tenants, few maturities in coming years) and value (top tenants, top locations, unrivalled quality of portfolio). A clue to the resiliency of the asset value was the recent preliminary sale of 1,272 sq m rented to Prada in Paris: management sold the two underlying assets for EUR20m, compared with a EUR13.2m appraisal value at the end of 2010.
2. Its financial health has been tested several times by tough financial conditions in recent years, nonetheless it has managed to keep the current cost of its EUR2.6bn debt well below 5% with a stable loan to value in the region of 50% across the years. Moreover, management proved far-sighted in financial management, as in early 2010 it already rolled a convertible bond expiring in mid October to 2015 (issuing a 2015, EUR219m face value with a 3.875% coupon). Out of EUR503m of debt to be rolled/reimbursed in 2012, management has already closed EUR82m.

With the stock trading at a 58% discount to its 30 September NNNAV (compared with 10% for peers), which implies a 28% asset discount, investors are apparently just pricing in (and possibly overstating) the country risk, giving no credit to its unique, company-specific features (crystal-clear business model, unrivalled asset quality, outstanding management).

One interesting aspect emerging from the analysis of the analysts' reports consists of the analysis of the share investment profile. This is, in short, a sort of "glance" at the specific characteristics of the security, comprising both intrinsic measurements of the company and measures able to reflect the attention paid by the market to the security.

There are four possible aspects worthy of consideration: growth, intended as the ratio of a perspective economic datum and the same datum for the current year (e.g. EPS, EBITDA or revenue), the business return, summarised, for example, in the ROE, the security volatility and a composite measurement of the main business multiples (P/E, EV/FCF, EV/EBITDA, etc.). The purpose of the statement mentioned consists of the substantial absence of timely data and the schematic ratios of the measurements of the company observed and the average of the main European peers in the sector, thereby enabling the immediate positioning of the company in all four profiles considered with respect to the average of the main competitors.

2.3. Debt level, cash flow and dividend policy

An analysis of financial position is an essential part of the correct valuation of a business, regardless of whether or not it happens to be a real estate business. If the valuation is performed by an analyst, and therefore with the aim of providing a potential investor with an opinion, the financial position must also be interpreted in view of the possible sustainability of dividend payments.

The analysis of the analysts' reports on the real estate companies therefore shows the existence of the traditional reasoning valid for any company, only partially laid out to consider the specific sector-related context of the companies.

More specifically, the aspects that would appear to be of greatest interest to the analysts are the level of company debt, the capacity to cover financial needs in the future (or the problem of refinancing debt in the future), cash flow trends and the dividend policy adopted. All these three aspects are naturally considered not only in absolute terms, but above all in relative terms, as the relationship intimately binding all three profiles recalled is clear.

The first aspect apparently of interest to the analysts is, of course, the level of debt (the "gearing ratio" or "leverage ratio"), generally explained for real estate companies as the ratio of debt to the value of assets managed. This is the loan-to-value (LTV) indicator, often specified in the reports to summarise the level of company exposure.

As concerns the problem of refinancing debt, clearly the analysts pay careful attention to the future capacity to repay debt and ensure the necessary coverage of company commitments. This analysis aims almost exclusively to highlight any financial stress due to considerable debts falling due at the same time. The analysts would therefore appear to be particularly interested in the clear noting of periods characterised by significant debt due dates, in order to focus on the times of financial tension in which the company may not "naturally" have the capacity to cope with the outlay required. For the in-depth level of analysis required, this

information is, moreover, often supplied directly by the companies in their presentations to the analysts and market.
The third aspect investigated is the company cash flow trends, which can be summarised in the capacity to generate suitable operating cash flow, in the amount required by outgoings related to investments (and, therefore, the capacity to generate free cash flow) and, last but by no means least, in the amount of the dividends expected. As already mentioned from the perspective of the analyst, the entity of the dividend payout is certainly an important aspect in preparing an opinion on the "purchase" of a security, as dividends represent an immediate form of remuneration of the investment made. At the same time, however, the dividends policy must also be judged in view of the company's general capacity to generate available cash flows, considering any debt payment dates scheduled.
The joint analysis of the loan-to-value (or leverage ratio), the debt maturity profile, free cash flow and dividend yield - all indicators that are usually included in the analysts' reports, therefore helps understand if the company's incomings and outgoings are effectively appropriate and in line with each other; a trend should be seen that although clearly affected by the imminent expiry of significant debts, must be able in any case to generate a demand for cash that is naturally covered by the cash flows generated or by the company's capacity for debt - this makes for a "healthy" business.
Regardless of the analysis of the company's financial balance, however, from the perspective of investors mainly interested in the potential return on their investments, the reports analysed also show a certain degree of interest in the dividend yield and the P/NNNAV of the companies. Precisely from the viewpoint of investors, in fact, the simultaneous existence of high dividends paid and a significantly "discounted" price with respect to the company's asset value (which can be summarised as the NNNAV), suggests interesting investment opportunities. Thus, therefore, the presence of high dividend yields and reduced values of the P/NNNAV index can successfully highlight companies potentially of interest to the market, with the investor able to enjoy both a discount on the company's value – necessary but alone not sufficient for the genesis of future possible capital gains on the security – and the company's capacity to distribute dividends and therefore generate an immediate return on the investment made. Thus said, it should be specified that the effective final judgement of the company will in any case be the result of an integrated evaluation of all profiles noted thus far.

The different indicators recalled are in any case used by the analyst in order to verify a simple relationship, or rather coherence, between the future sources of company finance, mainly consisting of the forecast free cash flows and new debt that can be obtained at the various due dates, and the uses of liquid funds, which can be traced to the forecast outgoings generated by future investment plans (e.g. following real estate development or the redefining of the portfolio), repayment of debts as they fall due (according to the company debt maturity profile) and the dividends to be paid to respect market expectations generated by previous conduct and specific announcements.

2.4. The main KPIs used by the analysts

A last type of information that is always included in the reports examined takes the form of economic-financial summary indicators (ratios) and the main company multiples (valuations), all generally presented in tables that sometimes provide information over periods of time spanning several years, particularly if referring to only the company examined, whereas on other occasions they sacrifice the period of time of the data supplied in favour of greater comparability of space, through the communication of indicators not only for the company examined but also for all its main competitors.

As concerns the economic-financial indicators, certain "blocks" of indicators can be identified as generally present in the reports; these are able to summarise the company's profitability and debt level, as well as providing a brief overview of its financial position. In other words, these are traditional indicators, such as ROE, earnings per share (EPS), the degree of debt (net debt/equity), the loan-to-value (LTV), the "monetisation" index of revenues (FCF/sales), interest coverage and dividend yield.

Instead, with reference to multiples, we should first recall the fact that these "relative" valuations are, if suitably calculated and interpreted, proper valuations for operators and not mere simplified, summary valuation tools that would therefore be approximate ("quick and dirty method").

As appropriately considered by finance scholars and specialists, the problematic issue of relative valuations essentially lies in the fact that not all multiples are equal, as the analyst must first assess the capacity of the individual multiple to effectively represent a causal link between the