

YELLOW ZONE

The restrictions are loosening. From tourism to restaurants and entertainment, where to invest to take advantage of the desire to get out of the house and return to normal life.

Riparty Italia

80 stocks that still need to make up lost ground

COVER

YELLOW ZONE As of Monday the 26th, many services can open again. From tourism groups to restaurants to entertainment, can the companies which have done the worst in the last 14 months recover now? Let's let the managers speak

Restart the party with 80 stocks

by **Elena Dal Maso**
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Hope has been found again in Italy, where as of Monday the 26th many services can open up again. The stock markets have risen an average of 10% over the beginning of the year thanks to the expectations regarding reopenings and vaccinations. As the economists from Unicredit emphasised, European services SMEs finally returned to growth (from 49.6 to 50.3) after eight months below 50. In fact, as the analysts from the Milan-based bank explained, up to this point the recovery has involved "a notable decoupling of the manufacturing and tertiary sectors." But is there still room for the markets to grow? For Goldman Sachs, the answer is a decisive yes. The business bank believes that the EU will continue to play its cards from now until July, when analysts expect most of the population will be vaccinated.

WHAT GOLDMAN SACHS IS BETTING ON IN EUROPE AFTER REOPENING

Name	Weighting	Shares	Price	% change from 20-Feb-20	% change 2021
* International Consolidated Airlines Grou	4,700636	232.055	197,26	-52,13	25,47
* Compass Group PLC	4,065239	25.135	1,575	-18,91	15,92
* Dufry AG	4,046223	8.582	58,46	-27,1	4,64
* H & M Hennes & Mauritz AB	4,02525	22.304	205,4	1,69	20,55
* Accor SA	3,998109	13.569	33,13	-14,29	12,91
* Unibail-Rodamco-Westfield	3,941853	6.572	67,44	-46,26	4,43
* InterContinental Hotels Group PLC	3,837159	7.414	5,040	-0,29	8,87
* Next PLC	3,791418	4.643	7,952	12,97	13,6
* Airbus SE	3,783187	4.345	97,9	-24,34	11,06
* Safran SA	3,525412	3.353	118,22	-16,84	4,39
* Ryanair Holdings PLC	3,522537	25.389	15,6	3,06	-2,49
* MTU Aero Engines AG	3,343797	1.942	193,6	-25,43	-7,71
* Aena SME SA	3,242862	2.686	135,75	-18,61	-3,87
* Rolls-Royce Holdings PLC	3,218812	306.703	102,2	-54,92	-7,58
* easyJet PLC	3,088059	30.351	990,8	-33,32	21,87
* Klepierre SA	3,065854	16.478	20,92	-29,03	14,46
* Arountown SA	2,876896	52.683	6,14	-27,84	2,65
* Sodexo SA	2,846324	3.854	83,04	-17,77	20,51
* Carnival PLC	2,602006	15.490	1,635,8	-45,28	22,56
* Whitbread PLC	2,558173	7.390	3,371	-16,1	10,03
* TUI AG	2,450776	61.100.0701	4,51	-29,51	38,16
* Land Securities Group PLC	1,850501	25.568	704,8	-25,63	6,8
* British Land Co PLC/The	1,821014	35.311	502,2	-9,87	4,58
* Fraport AG Frankfurt Airport Services Wo	1,754277	3.909	50,46	-25,58	4,54
* Marks & Spencer Group PLC	1,710847	108.114	154,1	-15,14	15,96
* Flughafen Zurich AG	1,609261	1.289	154,8	-9,96	-0,38
* Merlin Properties Socimi SA	1,233937	15.603	8,892	-31,81	16,22
* Meggitt PLC	1,212471	25.540	462,3	-23,12	0,86
* Wizz Air Holdings Plc	1,164373	2.428	4,670	6,49	3,57
* Aeroports de Paris	1,159178	1.286	101,35	-38,53	-3,53
* CTS Eventim AG & Co KGaA	1,146443	2.388	53,98	-6,83	0,88
* Greggs PLC	1,016192	4.310	2,296	-4,91	29,72
* Technogym SpA	0,894334	9.125	11,02	-2,68	17,75
* ICADE	0,880329	1.537	64,4	-37,5	3,34
* IWG PLC	0,876895	24.384	350,2	-20,25	3,88
* Basic-Fit NV	0,869013	2.768	35,3	0,34	17,73
* Autogrill SpA	0,852183	14.029	6,83	-24,92	26
* Melia Hotels International SA	0,806288	13.678	6,628	-7,95	18,29
* WH Smith PLC	0,657821	3.431	1,866,5	-20,95	24,6
* J D Wetherspoon PLC	0,601655	4.286	1,367	-9,61	23,12
* IMMOFINANZ AG	0,580967	3.619	18,05	-30,71	8,6
* Hammerson PLC	0,570757	148.731	37,37	-63,13	52,92
* SSP Group Plc	0,542516	16.121.64	327,7	-41,53	19,64
* Ellor Group SA	0,506678	8.484	6,715	-49,11	23,82
* Kinopolis Group NV	0,485142	1.242	43,92	-30	24,89
* Deutsche EuroShop AG	0,437033	2.733	17,98	-27,46	-0,92
* Mitchells & Butlers PLC	0,338187	10.883.3342	302,6	-19,35	40,88
* Enav SpA	0,327703	9.414	3,914	-35,84	6,78
* Marston's PLC	0,297534	30.483	95,05	-10,88	26,72
* Finnair Oyj	0,281772	43.808	0,7232	-32,7	-4,29
* Restaurant Group PLC/The	0,276411	21.919.45685	122,8	-4,26	93,11
* Dalata Hotel Group PLC	0,243056	6.183	4,42	-10,2	16,25
* Go-Ahead Group PLC/The	0,147534	1.106	1,299	-38,14	35,09
* Senior PLC	0,138388	11.382	118,4	-24,9	30,42
* Gym Group PLC/The	0,116385	4.626	245	-20,65	13,36
* On the Beach Group PLC	0,062521	1.524	399,5	-6,48	8,05

They speak of expectations “that exceed the 5.1% consensus for the euro zone in 2021, thanks to widespread immunisation”. They also mention the Recovery Fund, which has yet to commence. Goldman Sachs is betting on Europe with a proprietary Reopening Index consisting of around sixty stocks (see table). From the beginning of 2020 through to the present, the basket is still negative at around 30%. Airlines are among the securities weighing it down the most. International Consolidated Airlines Group, for example, created through a merger of the Spanish Iberia and British Airways, still has 16% to recover with respect to its pre-COVID value. Dufry (duty free) is down by 27% and Airbus down by 25%, while Ryanair is up by 3%, Rolls Royce down by around 55%, EasyJet down by 33%, the cruise line company Carnival down by 45% and the colossal German travel agency Tui down by 29%. Three Italian stocks are listed on the index: Technogym (-2.7%), Autogrill (-25%, needing a capital increase) and Enav (airports, -36% approximately).

You can also bet on Riparty Italia, with a basket of bonds (around twenty), such as those created for *MF-Milano Finanza* by Giacomo Alessi, an analyst at Marzotto SIM, focussing on travel with Dufry, Edreams, the booking website (it pays 6.5% but has a low CCC+ rating), two airlines, Air France and Finnair (5.7%), Carnival, Samsonite (luggage), Ivs

(vending machines) and Rolls Royce, which produces engines for aircraft. The betting and casino sector was heavily damaged by COVID, “and now might be able to profit from the reopenings”, added Alessi, who also selected Gamma Bidco, the owner of Gamenet (1,700 betting halls in Italy) and Novamatic (casinos). The table also includes bonds from Inter and Juventus, who will see fans back in their stadiums. In terms of stocks, according to Lorenzo Batacchi, portfolio manager of Bper Banca and an Assiom Forex shareholder, “prices in general have risen 10% this year, but growth at those rates is not sustainable. Now comes the hardest part: seeing how Italy and Europe make use of vaccinations and the Recovery Fund. There's room for growth, but the markets will pay attention to how projects are actually implemented.” Pierre Lamelin, the Europe stock manager for Comgest, believes that Campari could “clearly benefit given its strong presence in Europe and the fact that its key brand Aperol is mainly consumed in outdoor settings.” Like Campari, Heineken will also benefit from the reopening, given that “bar and restaurant business offers high margins”, added the manager. He also believes that Amplifon, hearing aid retailer, “will be another beneficiary of the reopening and the high rate of vaccination among the elderly.” In terms of airlines, Ryanair expects the summer

season to see around 50-55% of normal traffic. Nonetheless, Lamelin specified, the company is “behind with respect to normal booking levels for the important summer season, so short-term visibility is still limited. The same applies for Amadeus It, the biggest flight booking system in the world.”

Antonio De Negri, the CEO and founder of Cirdan Capital, is looking to “low-cost and low-emission companies, which are very flexible in terms of their provision of services and prices, for pleasure, not business, travel, first domestic and then international.” De Negri is betting on Jet2 and Ryanair, while in the hospitality sector he prefers Accor and Intercontinental. In terms of recovery for outdoor activities, restaurants and theme parks, Cirdan Capital is bullish for Restaurant Group Plc, Heineken Nv and stocks linked to outdoor entertainment such as Cineworld and La Francaise Des Jeux. Alessandro Allegri at Ambrosetti SIM suggests looking at stocks which are undervalued with respect to their competitors. “In terms of mass retail, Carrefour and Jeronimo Martins, in the luxury sector LVMH and Hermes, and in tourism Lufthansa, Accora and Intercontinental Hotels.” Tourism is the master key to reopening portfolios. “Events,” observed Diego Franzin, the head of portfolio strategy at Plenifer sgr, “are an

interesting opportunity in which we can find large companies with traditional structural growth.” One name among many is the British company Informa, for which Morgan Stanley recently indicated a potential for growth of 20% in the baseline scenario. On the other hand, in the retail segment, the manager suggests companies with business based around “products with very low prices but high sales per square metre, such as the British conglomerate ABF, which controls the Primark brand, with average sales of 3 or 4 pounds, an international presence and strong growth in the US.” Gianmarco Rania, Head of Equities at Banor Capital, recommends “Airbus, a leader in civil aircraft manufacturing, well placed for a strong comeback”, as well as Amadeus (Morgan Stanley expects +16%), an airline management software company, “a high quality stock that has historically offered above average returns and high growth rates.” In the beverages segment, Rania is betting on Heineken and Pernod Ricard. Let’s drink to that. (All rights reserved)

BETTING ON LEISURE & PLEASURE DEBT MAY BE VERY PROFITABLE

ISIN	Expiry	Price	Spread with BTP	Yield to Maturity	Issuer	Average rating	Sector
XS2333564503	15/04/28	98,8	317	3,57%	DUFREY ONE BV	B+	Store Aeroportuali
FR0013477254	16/01/25	93,94	357	3,48%	AIR FRANCE-KLM	NR	Vettori Aerei
XS2264155305	01/03/26	110,59	438	4,17%	CARNIVAL CORP	B	Crociere
XS1879565791	01/09/23	97,47	685	6,57%	EDREAMS ODIGEO SA	CCC+	Internet
FI4000441860	Perp	108,78	602	5,74%	FINNAIR OYJ	NR	Vettori Aerei
XS2321537255	15/07/25	101,37	478	4,63%	GAMMA BIDCO SPA	B	Agenzie di scommesse
BE6325871166	15/01/27	106,05	583	5,60%	HOUSE OF HR	CCC+	Human Resources
XS2084425466	28/11/24	97,83	270	2,60%	IMMOBILIARE GRANDE DIST	BB+	Real Estate
XS1739592142	31/12/22	98,54	597	5,60%	INTER MEDIA COMMUNICATIO	BB-	Intrattenimento
XS2271356201	15/12/25	106,68	400	3,98%	WEBUILD SPA	BB-	Infrastrutture
XS2049317808	18/10/26	100,61	277	2,80%	IVS GROUP	NR	Automatic Vendor
XS1915596222	19/02/24	99,44	363	3,41%	JUVENTUS FOOTBALL CLUB	NR	Intrattenimento
NO0010911506	15/12/25	102,48	273	2,71%	LINK MOBILITY GROUP HLDG	NR	Mobilità
AT0000A1LHT0	20/09/23	96,1	332	3,04%	NOVOMATIC AG	BB	Casino
XS1819574929	09/05/28	92,02	242	2,82%	ROLLS-ROYCE PLC	BB-	Motori Aerei
XS1811792792	15/05/26	97,83	379	3,90%	SAMSONITE FINCO SARL	B	Valigeria
XS2210013970	31/07/25	99,69	-	5,53%	STONEGATE PUB FIN	B	Ristoranti e Pub

Source: Marzotto SIM for MF-Milano Finanza