DHH

BUY

Sector: Industrials

Price: Eu23.90 - **Target: Eu31.00**

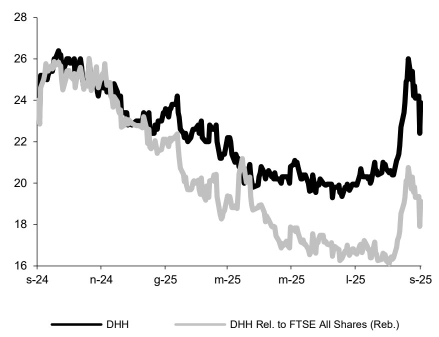
Resilient 1H, Impressive Cash Conversion, Confident Outlook

Giorgio Tavolini +39-02-77115.279
giorgio.tavolini@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-3.5%	-10.2%	-13.8%

Next Event
3Q25 Results Out 21 November

DHH - 12M Performance



Stock Data			
Reuters code:			DHH.MI
Bloomberg code:			DHH IM
Performance	**1M**	**3M**	**12M**
Absolute	15.5%	19.8%	-0.4%
Relative	17.4%	12.3%	-25.5%
12M (H/L)			26.40/19.30
3M Average Volume (th):			1.41

Shareholder Data	
No. of Ord shares (mn):	5
Total no. of shares (mn):	5
Mkt Cap Ord (Eu mn):	125
Total Mkt Cap (Eu mn):	125
Mkt Float - Ord (Eu mn):	29
Mkt Float (in %):	23.0%
Main Shareholder:	
Antonio D. Baldassarra	33.6%

Balance Sheet Data	
Book Value (Eu mn):	32
BVPS (Eu):	6.25
P/BV:	3.8
Net Financial Position (Eu mn):	-5
Enterprise Value (Eu mn):	130

DHH delivered solid 1H results, 1%/4% above our revenue/adj. EBITDA estimates, with resilient margins across geographical markets and business lines. Organic growth (ex-Teknonet) slowed slightly QoQ (+4%) but remained solid; our new FY25-27 top line estimate is more conservative than our previous high single-digit assumption, which looks too demanding after 1H trends. The estimate revision is fully offset by lower WACC in our DCF; the TP is unchanged. The ongoing focus on organic growth, margin discipline and EU M&A supports our constructive view on the stock.

- **1H25 results.** Excluding the Teknonet contribution (consolidated from 2Q, Managed IT and other services), DHH delivered 1H sales growth of +4% (2Q: +4%, 1Q: +5%) and EBITDA up +8% (2Q: +11%, 1Q: +6%). The 1H EBITDA margin improved from 33% to 34%, supported by lower raw material costs (–6%), but spending increased on data centre services (+15%), network services (+23%) and wholesale services and licences (+10%). Personnel costs rose (+11%), along with professional services (+13%) and marketing & sales (+3%). Operating cashflow stood at €6.7mn, i.e. 100% of EBITDA was converted into cash. Net debt (€4.6mn), was well below our forecast (€8.4mn), mainly thanks to lower absorption of working capital.
- **Confident tone from call**. 2Q delivered strong double-digit EBITDA growth, despite a moderate top line slowdown driven by customer churn at Seeweb (linked to client M&A) and the tough comp due to the impact of VMware's repricing. Demand from automotive clients remained weak, but overall growth was preserved; Connesi grew 5%, with positive early signs in AI-related infrastructure and initial real client applications. Expansion into the MSP sector offers significant synergies in Italy, with Teknonet gradually expected to insource external network costs via Connesi. The entry into MSP also supports the dual-track M&A strategy, with a short-term focus on Italy and disciplined target selection. The business model remains highly cash generative, with no AI CapEx commitment and a leasing model that aligns revenues and costs while avoiding technological obsolescence (GPU lifetime <3 years).
- **Change in estimates.** Organic revenue growth revised to mid-single-digit over the next three years (vs. high single-digit previously), consistent with 1H trends. With flat margins in FY25 and +0.4pp in FY26-27 vs. previous estimates, we are cutting adj. EPS by 4% this year and double-digit percentages in the following two years.
- **BUY confirmed, TP still €31.** In our DCF model, lower WACC (equity risk premium cut to 5.5% from 6%) offsets estimate revisions, allowing us to confirm our €31 TP (+29% upside). At target the stock would trade at ~12x EV/EBITDA'25E (~9.6x at current prices), at a discount to larger listed peers and recent private deals (c.15-19x EV/EBITDA). We welcome the recent acquisition of Teknonet (consolidated from 2Q) as a highly strategic and synergistic move, especially in relation to Connesi, further strengthening DHH Group's presence in Italy — which now accounts for over 70% of total sales — and marking DHH's entry into the MSP segment, typically characterised by a subscription-based model and high scalability. The deal also underscores DHH's commitment to executing its M&A strategy across domestic and Mediterranean markets, with the aim of expanding its cloud computing footprint and entering complementary vertical markets.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	34	36	41	44	46
EBITDA Adj (Eu mn)	12	12	14	15	16
Net Profit Adj (Eu mn)	3	4	4	5	6
EPS New Adj (Eu)	0.678	0.749	0.866	0.958	1.081
EPS Old Adj (Eu)	0.678	0.749	0.898	1.068	1.254
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	7.1	9.1	9.5	8.3	7.4
EV/EBIT Adj	13.6	16.2	15.9	13.6	12.0
P/E Adj	35.3	31.9	27.6	24.9	22.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.6	0.3	0.4	0.0	-0.5

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (**DCF**) model or similar methods such as a dividend discount model (**DDM**)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	30.30%
OUTPERFORM:	38.64%
NEUTRAL:	31.06%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (77 in total) is as follows:

BUY:	49.35%
OUTPERFORM:	32.47%
NEUTRAL:	18.18%
UNDERPERFORM:	00.00%
SELL:	00.00%

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