

# DHH

Sector: Industrials

**BUY**

Price: Eu20.80 - Target: Eu31.00

## Solid Organic Growth in 1Q, Acceleration in 2Q Thanks to Teknonet

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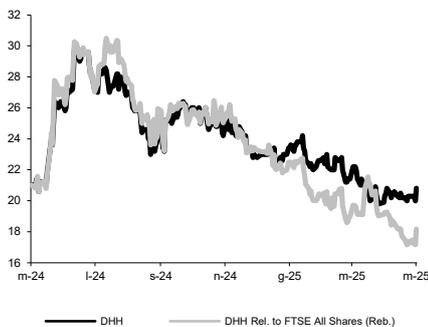
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 33.00 to 31.00		
	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>Chg in Adj EPS</b>	0.0%	0.0%	0.0%

### Next Event

2Q25 Results Out 22 September

### DHH - 12M Performance



### Stock Data

Reuters code: DHH.MI  
 Bloomberg code: DHH IM

Performance	1M	3M	12M
Absolute	2.5%	-8.0%	-1.0%
Relative	-6.0%	-11.0%	-15.3%
12M (H/L)	29.80/19.80		
3M Average Volume (th):	0.89		

### Shareholder Data

No. of Ord shares (mn):	5
Total no. of shares (mn):	5
Mkt Cap Ord (Eu mn):	109
Total Mkt Cap (Eu mn):	109
Mkt Float - Ord (Eu mn):	25
Mkt Float (in %):	23.0%
Main Shareholder:	
Antonio D. Baldassarra	33.6%

### Balance Sheet Data

Book Value (Eu mn):	32
BVPS (Eu):	6.30
P/BV:	3.3
Net Financial Position (Eu mn):	-5
Enterprise Value (Eu mn):	114

1Q results showcased a solid performance that confirmed the resilience and scalability of the DHH business model. From 2Q, the consolidation of Teknonet (already reflected in our estimates, [link](#)) should further enhance growth, raising visibility on the entire financial year. We stick to our BUY rating while reflecting dilution from the warrant exercise in our TP.

■ **1Q25 results.** DHH posted strong results across all key metrics, with growth in all companies, regions, and segments. Revenues rose 5% YoY, driven by Business Connectivity (+10% YoY, 22% of sales), Managed Services (+13%, 2%), Datacentre & Networking (+8%, 9%), and Cloud Computing (+4%, 38%). Cloud Hosting grew 2% YoY (25%), with strong performance in the Balkans offset by weaker results in Italy, where the group is repositioning its offering toward higher-value solutions. Revenues from infrastructure products to support AI applications grew further, but still only represented 5% of the total. The customer in this area has evolved: from a few major clients with a historical focus on experimental activity and R&D to an ever-wider and more diversified customer base that uses the infrastructure for material company projects. EBITDA increased 6% YoY, with a 36% margin, supported by a 19% drop in raw material purchases, particularly at Connesi and Seeweb, which offset higher operating costs: datacentre services rose 26%, network services 5%, wholesale and licences 8%, personnel costs 5% (19% of turnover), marketing 7%, and professional services 1%. Net financial debt declined to €2.5mn, in line with our estimate.

■ **Balanced feedback from the call:** (+) 2Q trends: strong in Bulgaria/Switzerland, early signs of recovery in Italy; AI and Teknonet synergies may support momentum. (+) Teknonet offers MSP-led growth for Connesi, with good synergies and limited overlap. (+) Costs well managed despite inflation and energy pressures. (+) FCFO >100% of EBITDA. (-) Cloud hosting up only 2% due to weak Italian demand. (+/-) Regolo.ai gaining early traction abroad, but volumes and monetisation remain low despite 26% AI growth in 1Q, private AI model for enterprise next. (+/-) Online go-to-market transition (search/web) still ongoing. (-) Seeweb affected by M&A-related customer losses. (-) Datacentre costs rose 26% from inflation and energy. (-) Personnel costs up 5% from targeted hires and salary adjustments.

■ **No change in estimates,** recently revised to factor in the Teknonet acquisition.

■ **BUY confirmed, TP revised to €31 (from €33).** We are revising our target price to account for the potential dilution from the warrant exercise (6% dilution of our previous target price of €33, assuming 318,000 new shares to be subscribed at €3.10 each between June 1, 2027, and December 29, 2028). We also factor in a higher risk premium, increased from 5.5% to 6%, which is largely offset by rolling our DCF model over by one year. We welcome the recent acquisition of Teknonet (consolidated from 2Q) as a highly strategic and synergistic move, particularly 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	42	47	51
EBITDA Adj (Eu mn)	12	12	14	16	17
Net Profit Adj (Eu mn)	3	4	5	6	7
EPS New Adj (Eu)	0.678	0.749	0.898	1.068	1.254
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	8.1	6.8	5.8
EV/EBIT Adj	13.6	16.2	13.4	10.7	8.9
P/E Adj	30.7	27.8	23.2	19.5	16.6
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.6	0.3	0.3	-0.1	-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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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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As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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