

# INWIT

Sector: Telecoms

# NEUTRAL

Price: Eu10.28 - Target: Eu11.50

## Resilient 2Q Trends in a Transformative Year for Italian Telcos

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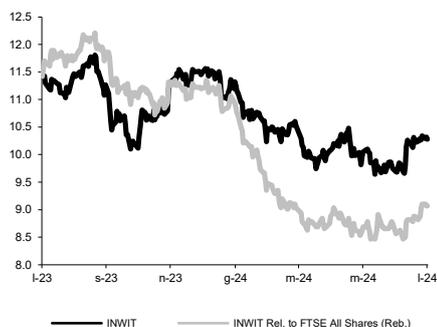
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	0.0%	-1.0%	-1.4%

### Next Event

**3Q24 Results** 7 November

### INWIT - 12M Performance



### Stock Data

Reuters code:	INWT.MI		
Bloomberg code:	INW IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	5.4%	2.0%	-9.9%
Relative	3.7%	1.9%	-23.5%
12M (H/L)	11.81/9.64		
3M Average Volume (th):	1,331.51		

### Shareholder Data

No. of Ord shares (mn):	960
Total no. of shares (mn):	932
Mkt Cap Ord (Eu mn):	9,871
Total Mkt Cap (Eu mn):	9,871
Mkt Float - Ord (Eu mn):	3,346
Mkt Float (in %):	33.9%
Main Shareholder:	
Vodafone	33.2%

### Balance Sheet Data

Book Value (Eu mn):	4,115
BVPS (Eu):	4.42
P/BV:	2.3
Net Financial Position (Eu mn):	-4,486
Enterprise Value (Eu mn):	14,063

- 2Q24 results.** 2Q results came in a touch below consensus and our estimates, but in line on RFCF. The company showed resilient growth in financials, confirming high single-digit top line growth (2Q: +8.2%, 1Q: +9.0%) driven by the CPI link (5.4% in FY23, no cap on Anchor MSAs), MSA commitments (current focus on New Sites), and OLO PoP growth, partially offset by lower “other revenues”, while New Services were up (+40.3% YoY) driven by DAS indoor projects. 2Q EBITDAaL grew +11.1% YoY to €186.1m, with the margin expanding to 72.4% (+1.9pp YoY, although still below the FY target of ~73%) thanks to a greater EBITDA increase compared to a negligible increase in lease costs (+1.3% YoY) despite the enhanced asset base and inflation (lease costs at ~75% of CPI). RFCF stood at €159mn (68% cash conversion), +6% QoQ ( -15% YoY given NWC phasing in 2Q23) and was entirely absorbed by development CapEx (€67mn), buyback (€106mn) and dividends (€451mn), leading to higher net debt at €4.66bn (4.9x EBITDA). Leverage fell by ~0.5x excluding dividends and the buyback plan announced in March 2023.
- Confident tone from the call:** reassuring messages on both business development (pick up in FWA in 2H, potential for stronger 2H supported by discretionary investments and OLOs) and financial progress (CPI confirmed at 2% p.a. up to 2026, current year slightly below 1% with impacts manageable), reinforcing the visibility on current guidance. By 2026, management sees financial flexibility of ~€1.5bn, with a capital allocation focused on business growth (potential room for large special coverage projects, further land buyout, Ran-as-a-Service, opportunities in adjacent sectors) and additional shareholder remuneration (likely update by early 2025). Very fluid TLC market scenario: several announced transactions could improve market fundamentals and unleash investments. INWIT is well placed in this context: it has a leading market position, a protective MSA offering growth optionality and efficient terms due to the 2-Anchor structure.
- Estimates update:** with CPI currently running at less than 1% (average for 2024 YTD: 0.6%, vs. guidance of 2% p.a. through 2026), we are lowering our CPI assumptions for the next two years. For FY25, the assumption is adjusted to 1.0% (previously 2%), and for FY26, it is adjusted to 1.5% (previously 2%), resulting in a 1% EPS cut for FY25-26. Although not supportive, there is a general consensus for a modest rebound in CPI in the coming months as comparison bases ease. A lower CPI should translate into lower interest rates, leading to a reduced WACC with a neutral impact on valuation.
- NEUTRAL confirmed; target still €11.5.** Despite the stock’s YtD underperformance (INWIT and CLNX -10%, FTSEMIB +12%) and operating trends that are likely to improve in 2H, we remain NEUTRAL on the stock to reflect the absence of short-term catalysts and market concerns on the overall re-shaping of the Italian Telco market. In particular, Vodafone’s exit from Italy may reduce the chance of a minority buyout by Vantage in the short term (at least not before the Vodafone /Fastweb deal closes, which is expected in 1Q25). Based on our new estimates, we confirm our DCF-based TP at €11.5, which offers 12% upside to market prices. Upside risks may arise from balance sheet optionality, with up to €1.5bn of financial headroom by 2026 (assuming 5.0-5.5x leverage vs. our 4.1x) to pay extra dividends/buyback for up to €1.5/share, and a potential re-rating from lower interest rates. The stock is trading at 16x EV/EBITDAaL’25 (Cellnex 17x) and below the 24x implicit in recent M&A deals, and a >7% RFCF yield on FY26E.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	853	960	1,045	1,104	1,178
EBITDA Adj (Eu mn)	781	879	957	1,015	1,084
Net Profit Adj (Eu mn)	405	449	505	552	603
EPS New Adj (Eu)	0.422	0.469	0.538	0.591	0.647
EPS Old Adj (Eu)	0.422	0.469	0.539	0.597	0.656
DPS (Eu)	0.347	0.480	0.516	0.555	0.596
EV/EBITDA Adj	17.0	16.9	14.7	13.9	13.0
EV/EBIT Adj	31.9	29.3	24.0	22.0	19.9
P/E Adj	24.4	21.9	19.1	17.4	15.9
Div. Yield	3.4%	4.7%	5.0%	5.4%	5.8%
Net Debt/EBITDA Adj	5.2	4.8	4.7	4.5	4.2

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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 of 5.5% 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.

Explanation of our ratings system:

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 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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