

INWIT

Sector: Telecoms

BUY

Price: Eu11.26 - Target: Eu13.60

Structural Expansion in Value Generation and Superior Returns

Giorgio Tavolini +39-02-77115.279
 giorgio.tavolini@intermonte.it

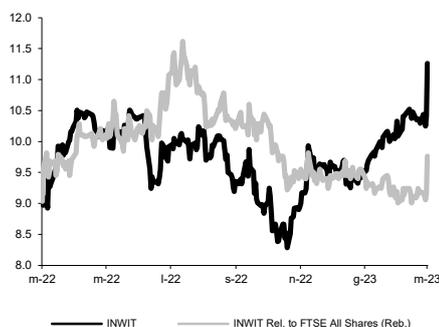
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 12.00 to 13.60		
	2023E	2024E	2025E
Chg in Adj EPS	1.3%	3.1%	2.5%

Next Events

AGM 18 April / 1Q23 Results 9 May

INWIT - 12M Performance



Stock Data

Reuters code:	INWT.MI
Bloomberg code:	INW IM

Performance	1M	3M	12M
Absolute	11.7%	17.2%	24.6%
Relative	8.7%	4.4%	9.5%
12M (H/L)	11.26/8.29		
3M Average Volume (th):	845.34		

Shareholder Data

No. of Ord shares (mn):	960
Total no. of shares (mn):	942
Mkt Cap Ord (Eu mn):	10,812
Total Mkt Cap (Eu mn):	10,812
Mkt Float - Ord (Eu mn):	3,633
Mkt Float (in %):	33.6%
Main Shareholder:	
Vodafone	33.2%

Balance Sheet Data

Book Value (Eu mn):	4,324
BVPS (Eu):	4.59
P/BV:	2.5
Net Financial Position (Eu mn):	-4,203
Enterprise Value (Eu mn):	14,816

- 2023-26 targets: better growth, enhanced shareholder remuneration.** FY22 results were in line with our est./cons., with a strong upturn in 4Q. New targets imply a 3-4% rise in consensus RFCF forecasts and are based on updated CPI assumptions (5% for 2023, 1.5% for 2024-26): high single-digit revenue CAGR to >€1.2bn in 2026 (vs. €853mn in FY23), with margin growth for EBITDA (92%, +1pp vs. 2022) and EBITDAaL (76%, +7pp vs. 2022), bringing RFCF above €730mn in FY26 (cons. €704mn). The company foresees rebalanced progression in expected new PoPs/new sites, with a greater contribution from anchors, but confirmed forecasts for OLO PoPs (lower contribution from remedies) and DAS/small cell volumes. The plan includes c.€200mn of additional CapEx, with further investment in land buyouts (land ownership above 20% by 2026E vs. 9% now) and macro and micro grids. Finally, Inwit lifted shareholder remuneration, with a further €100mn in dividends from 2024 onwards (€0.11ps on top of the current policy of €0.37ps) confirming 7.5% annual growth, also proposing a share buyback for the first time (up to €300mn, max. 31.2mn shares, i.e. 3.25%) over 18 months, subject to AGM approval in April.
- Positive conference call.** Management provided an extensive overview on INWIT's path to 2026, with greater financial flexibility (updated leverage corridor at 5-5.5x EBITDA, given lack of accretive M&A opportunities and higher cost of funding, a reasonable level broadly in line with peers) to capture further growth opportunities (integration of macro and micro grids, new sites, acquisition of small tower portfolios, further LBO, etc.) or accommodate further shareholder returns. On EMF limits, the new plan is based on current limits but there is strong political consensus for an increase: any uplift would lead to faster execution but would not be a game changer on financials. Operational pressure from anchors to deliver new sites and find new efficiencies in site deployment, strong demand from OLOs (overall 1,500 additional PoPs with Iliad on top of further 1,100 PoPs with FWAs and other clients). By 2026 management sees room to triple revenues from new services (FY22: €30mn) with double-digit IRR if at least 2 tenants are onboard, relying on the company's ability to meet demand from MNOs and find locations. Ownership of active equipment is seen as a natural extension of TowerCos' scope in the medium/long-term, INWIT is not yet in talks with anchors but confirms strong interest.
- Updated estimates:** our P&L was already in line with new targets, we are raising RFCF by 2/3% for FY23 (€603mn, tgt. €595-605mn) and FY26 (€756mn, tgt. >€730mn), while capturing the new CapEx plan and shareholder remuneration, driving leverage to 4.7x at YE23 and 4.0x at YE26, slightly above company targets.
- BUY confirmed; new TP €13.6 (from €12).** DCF-based TP up from €12 to €13.6 to reflect better long-term growth (g from 2.0% to 2.2%) and margins (from 91% to c.92%) and include the €300mn buyback (we assume cancellation of €27mn of shares at current prices). BUY confirmed: the new plan offers expanded value generation through industry-leading organic growth with high visibility from the MSA with anchors; a sizeable CapEx plan with further balance sheet optionality to maximise growth opportunities; structurally attractive shareholder returns. Long-term RFCF visibility comes with almost no downside risk and strong protection in the current inflationary environment (MSA 100% CPI-linked, 0% floor, no cap) on top of speculative appeal related to M&A moves by ARDIAN and/or VTWR. The valuation remains attractive: the plan should drive a re-rating of the 2026 RFCF yield from 7% (target) to c.5.5% (in line with key peer Cellnex) at our TP of €13.6, which offers c.21% upside.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	785	853	976	1,062	1,131
EBITDA Adj (Eu mn)	714	781	888	966	1,035
Net Profit Adj (Eu mn)	301	405	496	549	594
EPS New Adj (Eu)	0.313	0.422	0.520	0.585	0.634
EPS Old Adj (Eu)	0.313	0.433	0.513	0.568	0.618
DPS (Eu)	0.323	0.347	0.480	0.516	0.555
EV/EBITDA Adj	18.6	17.0	16.7	15.4	14.4
EV/EBIT Adj	37.5	31.9	28.3	24.8	22.4
P/E Adj	35.9	26.7	21.7	19.2	17.8
Div. Yield	2.9%	3.1%	4.3%	4.6%	4.9%
Net Debt/EBITDA Adj	5.7	5.2	4.7	4.5	4.3