

INWIT

Sector: Telecoms

NEUTRAL

Price: Eu9.65 - Target: Eu11.50

Lack of Short-Term Catalysts Shifts Focus to March CMD

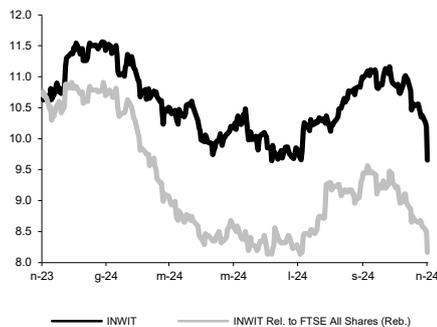
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

 Virtual Capital Markets Day: 4th March 2025

INWIT - 12M Performance



Stock Data			
Reuters code:	INWT.MI		
Bloomberg code:	INW IM		
Performance	1M	3M	12M
Absolute	-11.4%	-4.6%	-10.2%
Relative	-12.2%	-13.1%	-28.5%
12M (H/L)	11.57/9.64		
3M Average Volume (th):	1,080.00		

Shareholder Data	
No. of Ord shares (mn):	960
Total no. of shares (mn):	932
Mkt Cap Ord (Eu mn):	9,271
Total Mkt Cap (Eu mn):	9,271
Mkt Float - Ord (Eu mn):	3,143
Mkt Float (in %):	33.9%
Main Shareholder:	
Vodafone	33.2%

Balance Sheet Data	
Book Value (Eu mn):	4,100
BVPS (Eu):	4.40
P/BV:	2.2
Net Financial Position (Eu mn):	-4,497
Enterprise Value (Eu mn):	13,491

- 3Q24 results.** 3Q figures were slightly below consensus and our expectations, confirming high single-digit top line growth (3Q: +7.6%, 2Q: +8.2%, 1Q: +9.0%) driven by the CPI link (5.4% in FY23, no cap on Anchor MSAs), MSA commitments (+200 new sites, 2Q: +240), new anchor PoPs (3Q: +490, 2Q: +400), and slower OLO PoP growth (3Q: +420, 2Q: 520) despite strong IoT and smart grids; New Services continued to grow (+61% YoY) driven by DAS indoor projects and co-location. 3Q EBITDAaL grew faster than revenues, by +9.0% YoY (2Q: +11.1%) to €190m, with the margin expanding to 72.8% (+1.0pp YoY, a touch below the FY target of ~73%) also benefiting from lower lease costs (-3.0%) despite the increased asset base (new sites and new indoor coverage locations/projects) and inflation (lease costs at ~75% of prior-year CPI). 9M RFCF came in at €472mn (67% cash conversion) entirely absorbed by development CapEx (€207mn), buyback (€155mn) and dividends (€452mn), leading to higher net debt at €4.58bn (4.8x EBITDA).
- Feedback from conference call.** INWIT will unveil its 2030 targets and capital allocation strategy at a Virtual Capital Markets Day in March 2025, prioritising EBITDAaL growth, a leverage target of 4.1x by 2026, and strategic use of balance sheet flexibility for new opportunities/investments (RAN as a Service, Edge DCs, land buyout, DAS) and/or potential buybacks (assessing optimal funding and liquidity conditions)/dividends. The 2026 bond includes a "change of control" put option, allowing bondholders an exit if ownership changes affect the credit rating, but INWIT management gave reassurances that this won't hinder potential takeover moves by major shareholders Vantage and Ardian. The current MSAs with TIM/Vodafone have an "all-or-nothing" clause that should prevent future renegotiation risks. CPI for 2024 is expected at 1%, below the initial 2% forecast, affecting EBITDAaL by just over Eu5mn annually, with projections to increase to around 2% in 2025.
- No change in estimates:** FY24 guidance was revised to the low end of the previously-indicated range, bringing it into line with our estimates and consensus. We therefore do not expect any significant changes to consensus estimates.
- NEUTRAL confirmed; target still €11.5.** We maintain our NEUTRAL rating, primarily due to the lack of catalysts until the new CMD. We believe relaunching the equity story needs a stronger focus on truly transformational initiatives (e.g. RAN-as-a-Service and edge DCs) to drive a renewed acceleration of the top line in a lower CPI environment, and on land buyout to enhance profitability and FCF. This approach may have more of an impact than prioritising short-term shareholder returns through an additional buyback, which would reduce liquidity and allow the two main shareholders (Vantage, Ardian) to increase their stakes steadily above 30% without triggering a mandatory takeover bid. Regarding speculative scenarios, bondholders are protected in the event of a control change that affects INWIT's credit rating, but this would not affect potential takeover moves by the two largest shareholders. However, despite the recent drop in the stock price, we do not expect a takeover bid from Vantage/Ardian in the near term, at least until the Fastweb-Vodafone deal is completed (expected in 1Q25). In our view, Vantage Towers will probably seek full visibility on future commitments from Fastweb as a new anchor client and aim to mitigate potential risks of downward contract renegotiations, despite the MSA currently being safeguarded by "all-or-nothing" clauses.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	853	960	1,037	1,095	1,167
EBITDA Adj (Eu mn)	781	879	950	1,006	1,074
Net Profit Adj (Eu mn)	405	449	490	546	595
EPS New Adj (Eu)	0.422	0.469	0.523	0.585	0.639
EPS Old Adj (Eu)	0.422	0.469	0.523	0.585	0.639
DPS (Eu)	0.347	0.480	0.516	0.555	0.596
EV/EBITDA Adj	17.0	16.9	14.2	13.5	12.7
EV/EBIT Adj	31.9	29.3	23.3	21.5	19.5
P/E Adj	22.9	20.6	18.5	16.5	15.1
Div. Yield	3.6%	5.0%	5.3%	5.7%	6.2%
Net Debt/EBITDA Adj	5.2	4.8	4.7	4.5	4.3

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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.

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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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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