Milan, 08 May 2024

Italian Equity Research – 1Q24 Results

INWIT

NEUTRAL

Sector: Telecoms

Price: Eu10.25 - **Target: Eu11.50**

1Q Results in Line, No Update on Capital Allocation

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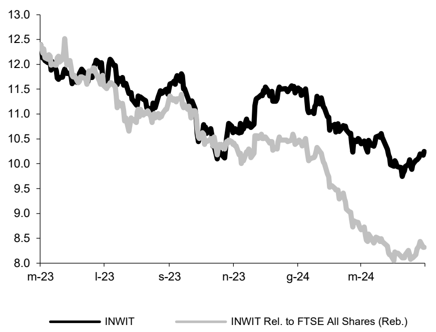
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

2Q24 Results 30 July

INWIT - 12M Performance



Stock Data			
Reuters code:			INWT.MI
Bloomberg code:			INW IM
Performance	**1M**	**3M**	**12M**
Absolute	2.7%	-4.0%	-18.5%
Relative	2.0%	-14.1%	-42.1%
12M (H/L)			12.40/9.74
3M Average Volume (th):			1,135.22

Shareholder Data	
No. of Ord shares (mn):	960
Total no. of shares (mn):	932
Mkt Cap Ord (Eu mn):	9,842
Total Mkt Cap (Eu mn):	9,842
Mkt Float - Ord (Eu mn):	3,336
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):	14,035

- **1Q24 Results in line.** 1Q24 results were broadly in line with consensus and marginally above our estimates. The only miss was on RFCF (€150mn, -4.5% vs consensus) driven by higher cash interest (higher gross debt balance and cost of debt, phasing of interest payments for variable debt) which may raise some concerns on the RFCF target for the FY (confirmed). 1Q organic trends did not show any significant discontinuity considering the recent update to the 2024-26 industrial plan. The market context confirms the weakness in OLO demand, particularly in the FWA segment, and a seasonally weaker performance in 1Q compared to 4Q. Despite this, the high single-digit growth in 1Q provided good visibility on the FY target (mid-to-high single-digit growth), thanks to upside on the CPI-link (5% average rate for 2023) on MSA contracts, and continued growth of new services (+61% YoY) for anchor tenants. The double-digit growth in EBITDAaL (+11%) benefitted from: i) a limited increase in lease costs (+1.7%) despite an increased asset base and inflation; and ii) EBITDAaL margin expansion to 72.2% (+1.4pp YoY), although still below the FY target (~73%).
- **KPIs on track, despite seasonal patterns**: a) +610 PoPs with anchors (our exp. +610; FY24 tgt: +2k, FY24-26: +5k with a more front-end loaded phasing) driven by MSA contractual commitments: new PoPs on new sites and densification/optimization on existing sites; b) +350 PoPs with OLOs (our exp. 400; FY tgt: 2k, FY24-26: +6k) with OLO mix in favour of "Other Clients", particularly IoT application utility clients; c) +205 new sites (our exp. +200; FY24E: +850, FY24-26 tgt: +2.2k).
- **Neutral feedback from the call**. Despite higher interest rates in 1Q, BP targets are aligned to the current rate environment (4.5-5%). No significant updates on potential share buyback acceleration, leverage continued to decline in 1Q; capital allocation under constant review for potential additional shareholder remuneration or investment acceleration. Relations with ARDIAN and Vantage remained unchanged and supportive. The recent relaxation of EM limits not a game changer but a facilitator of new co-locations (especially with MNOs). Despite seasonal patterns, rollout of new sites on track. The ongoing reshaping of the TLC sector is not affecting short-term commitments but offers future opportunities, particularly in recovering the delay on 5G investments.
- **No change to estimates.** We broadly confirm our FY24-26 estimates.
- **NEUTRAL confirmed; target still €11.5.** The company posted a neutral release in 1Q with no major updates on capital allocation. We keep our NEUTRAL rating as: a) the current BP, despite projecting slightly lower CAGRs for revenue, EBITDAaL and RFCF, assumes higher dev. CapEx by €50mn/year compared to the old plan, which is inevitably set to absorb Equity FCF and increase leverage; b) Vodafone's exit from Italy may reduce the chance of a minority buyout by Vantage in the short term (at least not before the deal between Vodafone and Fastweb closes, which is expected in 1Q25). Based on our new estimates, we confirm the DCF-based TP at €11.5 which offers 13% 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 a reduction in interest rates. At our TP, the stock would trade at 19x 2024E EV/EBITDAaL (currently 17x), below the multiples implicit in the recent M&A deals (the disposals of CLNX towers in Nordics and Ireland went through at 24x), and a 2026 RFCF yield of 6.8% (7.6% at current prices).

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales (Eu mn)	853	960	1,045	1,113	1,191
EBITDA Adj (Eu mn)	781	879	957	1,022	1,096
Net Profit Adj (Eu mn)	405	449	505	558	611
EPS New Adj (Eu)	0.422	0.469	0.537	0.597	0.656
EPS Old Adj (Eu)	0.422	0.469	0.537	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	13.8	12.8
EV/EBIT Adj	31.9	29.3	24.0	21.7	19.5
P/E Adj	24.3	21.8	19.1	17.2	15.6
Div. Yield	3.4%	4.7%	5.0%	5.4%	5.8%
Net Debt/EBITDA Adj	5.2	4.8	4.7	4.4	4.1

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- 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)

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

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NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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