INWIT

BUY

Sector: Telecoms

Price: Eu12.32 - **Target: Eu15.50**

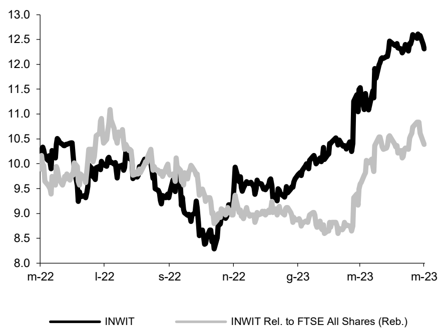
Results Show First Visible Step Towards 2023-26 Plan Execution

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

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 13.60 to 15.50
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.1%	0.1%	0.0%

Next Events
2Q23 Results 26 July

INWIT - 12M Performance



Stock Data			
Reuters code:			INWT.MI
Bloomberg code:			INW IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.2%	18.3%	24.5%
Relative	-1.7%	19.1%	6.0%
12M (H/L)			12.61/8.29
3M Average Volume (th):			1,369.35

Shareholder Data	
No. of Ord shares (mn):	960
Total no. of shares (mn):	942
Mkt Cap Ord (Eu mn):	11,825
Total Mkt Cap (Eu mn):	11,825
Mkt Float - Ord (Eu mn):	3,973
Mkt Float (in %):	33.6%
Main Shareholder:	
Vodafone	33.2%

Balance Sheet Data	
Book Value (Eu mn):	4,319
BVPS (Eu):	4.58
P/BV:	2.7
Net Financial Position (Eu mn):	-4,202
Enterprise Value (Eu mn):	15,808

- **1Q23 results.** Results were broadly in line with consensus and our estimates, albeit with a different top line mix (stronger anchor revenues, lower 3rd-Party revenues and new services) compared to our assumptions. Top line growth showed a sequential acceleration (1Q: +12.8%, 4Q: +8.1%) boosted by the CPI link, new sites (+130, >2x YoY), new PoPs (+730 anchors and +350 other clients) and new services (€8.9mn, +19% YoY) and delivered further margin expansion (EBITDAaL margin at 71%, +3.6pp YoY) benefitting from lower ground lease costs despite inflation and a larger asset base. In 1Q the company signed an agreement with TIM for the purchase of ~200 land plots (economic impact from 2Q onwards). RFCF grew +8% to €136.7mn, showing 64% cash conversion, as a result of slightly negative NWC (phasing effect from 4Q22, positive NWC in FY23E), cash taxes at virtually zero (payments in 2Q and 4Q), lease payments in line with quarterly seasonality (lease payments usually higher in 1Q vs. following quarters, reduction expected from 2Q onwards, similarly to 2022). Net debt including IFRS16 stood at €4.06bn, with leverage from 5.3x to 4.7x annualised EBITDA.
- **Feedback from conference call.** 2023-26 targets confirmed, suggesting little room for any upgrade to estimates. Management provided more colour on the small land buyout deal with TIM (200 plots of land) and confirmed its ambition to triple 2022 new services revenues (c.€32mn) by 2026, thanks to further demand for indoor coverage, the existing mix of outdoor/indoor coverage and the contribution of small cells to emerge by the end of the plan period. On potential MNO consolidation in Italy, management's indications were consistent with previous comments suggesting a neutral/positive impact for INWIT. On the debt front, management believes that a return to investment grade is achievable, although this is not an explicit goal within the current plan period at this stage.
- **Updated estimates.** We are confirming our 2023-26 projections but rebalancing for the different top line mix seen in 1Q. Changes are EPS-neutral. Persistent inflation (which could even exceed 5% for FY23) represents upside risk to our FY24 estimates.
- **BUY confirmed; new target €15.50 (from €13.60) to embody a 15% speculative premium.** We believe the delisting of Vantage Towers (33.2% stake in INWIT) could strengthen speculative appeal on INWIT in the event of a potential take-private move on INWIT by the KKR/Vodafone consortium or by Ardian (30% stake). We therefore confirm our BUY recommendation on INWIT, raising our TP to €15.50, incorporating a speculative premium of at least 15% on our fundamental FV of €13.60: at this new level INWIT would be trading at 26-27x EV/EBITDAaL'23, the same multiples as the recent Vodafone/KKR deal on Vantage Towers and Brookfield/Digital Bridge acquisition of DT's towers). In addition, regardless of M&A prospects, the current 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).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	785	853	978	1,062	1,131
EBITDA Adj (Eu mn)	714	781	890	967	1,035
Net Profit Adj (Eu mn)	301	405	490	543	594
EPS New Adj (Eu)	0.313	0.422	0.514	0.579	0.631
EPS Old Adj (Eu)	0.313	0.422	0.514	0.579	0.631
DPS (Eu)	0.323	0.347	0.480	0.516	0.555
EV/EBITDA Adj	18.6	17.0	17.8	16.4	15.5
EV/EBIT Adj	37.5	31.9	30.1	26.4	24.0
P/E Adj	39.3	29.2	23.9	21.3	19.5
Div. Yield	2.6%	2.8%	3.9%	4.2%	4.5%
Net Debt/EBITDA Adj	5.7	5.2	4.7	4.5	4.3