

# INWIT

Sector: Telecoms

**BUY**

Price: Eu10.71 - Target: Eu13.30

## Relentless Delivery and Efficiency Drive RFCF Target Higher

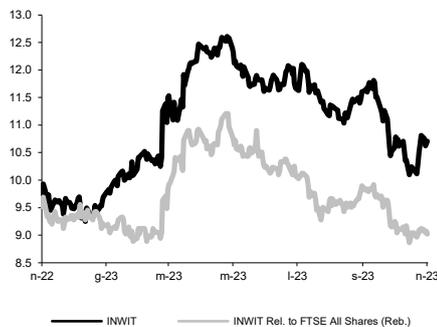
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-0.7%	-0.7%	-0.6%

### Next Events

FY23 Results out March 2024

### INWIT - 12M Performance



Stock Data			
Reuters code:	INWT.MI		
Bloomberg code:	INW IM		
Performance	1M	3M	12M
Absolute	1.0%	-5.8%	12.6%
Relative	-2.6%	-6.7%	-6.2%
12M (H/L)	12.61/9.25		
3M Average Volume (th):	1,048.41		

Shareholder Data	
No. of Ord shares (mn):	960
Total no. of shares (mn):	942
Mkt Cap Ord (Eu mn):	10,279
Total Mkt Cap (Eu mn):	10,279
Mkt Float - Ord (Eu mn):	3,454
Mkt Float (in %):	33.6%
Main Shareholder:	
Vodafone	33.2%

Balance Sheet Data	
Book Value (Eu mn):	4,278
BVPS (Eu):	4.54
P/BV:	2.4
Net Financial Position (Eu mn):	-4,253
Enterprise Value (Eu mn):	14,343

■ **3Q23 results.** INWIT posted a solid set of results (RFCF +4%/+6% above consensus/our expectations, with other metrics in line) and slightly revised the RFCF target to the high end of the range (€595-605mn), indicating limited room for major revisions (our expectation €603mn, consensus €597mn). The robust FCF performance (€154mn, +26% YoY) is attributed to OpEx and lease cost efficiency (EBITDAaL margin at 71.8%, +3.6pp), low recurring CapEx and taxes, and positive NWC. On the other hand, revenues are now expected towards the lower end of the range (€960m-€980mn), as largely anticipated (both our estimates and consensus at €965m). This is the result of slower market development of OLOs/FWA partially offsetting the strong MSAs and New Services. However, it is worth noting that 3Q sales growth remained steady at a low-teens level (3Q: +12.6%, 2Q: +12.8%, 1Q: +12.8%), supported by the index link, new sites, new PoPs, and the uptake of new services (€11.7mn, +40%). FY26 guidance confirmed.

■ **Solid KPIs.** Industrial KPIs remain robust, with 230 new sites (our exp: 220, 2Q: 225, 1Q: 135) and minimal growth in new remote units for small cells/DAS. The FY new sites target has been enhanced to c.850 from c.800, including new anchor MSA sites and other BTS programmes. Demand remains strong, contributing to over 1,020 new PoPs supported by Anchors (3Q: +620, 2Q: +650, 1Q: +730) thanks to MSA contractual commitments and 5G densification, while OLO new adds (3Q: +400, 2Q: +410, 1Q: +350) were driven by other clients (IoT, gateways rather than FWA and MVNO). The tenancy ratio reached best-in-class levels at 2.21x (2Q: 2.20x).

■ **Updated estimates.** We are making small tweaks to our FY23 estimates, improving margins by 0.5pp both for EBITDA (91.5%, tgt: >91%) and EBITDAaL (71.4%, tgt: >71%) with no change in the top line. At EPS level (-1% cut), improved estimates are offset by higher D&A and financial charges, while on RFCF our estimate remains unchanged at €603mn (in line with the high end of the guidance range).

■ **BUY confirmed; target still €13.3.** We confirm our DCF-based TP of €13.3, which already reflects a 15% speculative premium on our fundamental FV of €11.5. We are sticking to our BUY rating on INWIT to reflect: a) strong value generation embedded in current targets, thanks to industry-leading organic growth (+11% EBITDAaL CAGR) and high visibility from MSAs with anchors; b) generous shareholder remuneration (15% DPS CAGR + €600mn buyback in 2023-24); c) further balance sheet optionality, with up to €1.0-1.5bn of financial headroom by 2026 (assuming a 5.0-5.5x corridor, vs. our 4.0x forecast) to pay extra dividends/buyback for up to €1.5/share; d) speculative appeal from M&A (potential moves by Vantage Towers/Ardian). 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). The stock is trading at 19x EV/EBITDAaL 2024E (c.15x EV/EBITDA), well below the multiples implicit in the recent deals for Vantage Towers (26x) and GD Towers (25x) or CLNX's tower portfolio sales in Sweden and Denmark (24x), and at an RFCF yield of 6.4/6.8% in 2024/25.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	785	853	965	1,059	1,125
EBITDA Adj (Eu mn)	714	781	883	969	1,029
Net Profit Adj (Eu mn)	301	405	450	526	569
EPS New Adj (Eu)	0.313	0.422	0.470	0.561	0.607
EPS Old Adj (Eu)	0.313	0.422	0.473	0.565	0.610
DPS (Eu)	0.323	0.347	0.480	0.516	0.555
EV/EBITDA Adj	18.6	17.0	16.2	14.8	14.0
EV/EBIT Adj	37.5	31.9	28.1	24.2	22.0
P/E Adj	34.2	25.4	22.8	19.1	17.6
Div. Yield	3.0%	3.2%	4.5%	4.8%	5.2%
Net Debt/EBITDA Adj	5.7	5.2	4.8	4.5	4.3