

INWIT

Sector: Telecoms

NEUTRAL

Price: Eu10.40 - Target: Eu12.00

Uneventful BP Update; Meanwhile, Vodafone Might Exit Italy

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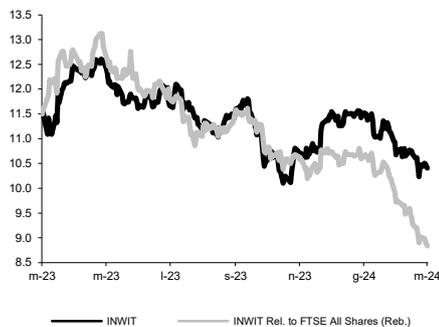
Stock Rating

Rating:	from BUY to NEUTRAL		
Target Price (Eu):	from 15.00 to 12.00		
	2024E	2025E	2026E
Chg in Adj EPS	0.1%	0.4%	1.4%

Next Events

AGM 23 April, 1Q24 Results 7 May

INWIT - 12M Performance



Stock Data

Reuters code:	INWT.MI
Bloomberg code:	INW IM

Performance	1M	3M	12M
Absolute	-3.1%	-9.9%	-9.5%
Relative	-10.1%	-19.6%	-27.3%
12M (H/L)	12.61/10.10		
3M Average Volume (th):	925.91		

Shareholder Data

No. of Ord shares (mn):	960
Total no. of shares (mn):	932
Mkt Cap Ord (Eu mn):	9,991
Total Mkt Cap (Eu mn):	9,991
Mkt Float - Ord (Eu mn):	3,387
Mkt Float (in %):	33.9%
Main Shareholder:	
Vodafone	33.2%

Balance Sheet Data

Book Value (Eu mn):	4,131
BVPS (Eu):	4.43
P/BV:	2.3
Net Financial Position (Eu mn):	-4,481
Enterprise Value (Eu mn):	14,174

- 4Q23 results and 2024-26 BP update.** FY23 numbers came in line with our estimates and with consensus. FY24 target mid-points are 1/2% below consensus while FY26 outlook is broadly consistent with previous FY26. FY26 consensus is in line with the mid-point of the range for the top line and with the lower end for RFCF, therefore we do not expect major changes in consensus numbers. Management expects a >6% CAGR in new PoPs (+5k new anchor PoPs, +6k OLO PoPs by 2026) assuming lower OLO PoPs (-2k) vs previous plan (remedy process, FWA). Revenues from new services expected at >€100m by 2026 (vs >€90mn previously), following strong 2023 execution. Shareholder remuneration was confirmed, with €1.5bn additional balance sheet flexibility by 2026.
- Neutral feedback from conference call.** Despite the higher CapEx guidance (€800mn, with peak in FY24), management reiterated confidence in the mid-point of the 2026 RFCF range: over 60% of revenue is already contracted, predominantly with anchor tenants, with a clear line of sight on an additional 20%. The €150mn CapEx increase in the plan horizon is offset by EBITDAaL generation (although not improved vs previous BP), as the Group expects to exit 2026 with EBITDAaL higher by >€200mn vs 2023.
- Assessing Vodafone's exit from Italy: lower M&A appeal for INWIT?** Management sees a neutral impact from the Vodafone/Fastweb deal, before considering the potential upside from a more sustainable industrial context to invest in new 5G coverage/densification. We agree that there are no operational implications from the deal as it would mostly affect the fixed market. Regarding the MSA with INWIT, a change in control at Vodafone Italy should not disrupt existing agreements, with Fastweb assuming Vodafone's T&C. However, Vodafone's exit from Italy may dampen M&A appeal surrounding a minority buyout and delisting of INWIT by Vantage Towers (50:50 JV between Vodafone and KKR). On the other hand, although it remains uncertain whether Ardian and Vantage will actively seek a new purchaser for INWIT, we see potential interest from US TowerCos eyeing European expansion, such as AMT (already present in Germany, France and Spain). Notwithstanding, visibility on future developments remains limited.
- Updated estimates:** minimal changes (despite higher CapEx) but aligned to BP targets.
- Downgrade to NEUTRAL (from BUY); new target €12.0 (from €15).** We downgrade the stock from BUY to NEUTRAL as: a) the updated BP, despite projecting similar CAGRs for revenue, EBITDAaL and Recurring FCF, assumes higher development CapEx by €50mn/year compared to the old BP, 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 Towers in the short term. We trim our DCF-based TP to €12 (from €15.0) removing the speculative premium (previously 10%) on a reduced FV of €12.0 (previously €13.7), as a result of higher CapEx/sales in perpetuity (from 6% to 8%) and lower terminal growth (from 2.2% to 2.0%, in line with a longer-term CPI assumption). 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 19.1x 2024E EV/EBITDAaL (currently 17.6x), below multiples implicit in the recent M&A deals (both disposals of CLNX's tower portfolio in Nordics and Ireland at 24x), and a '26 RFCF yield of 6.6% (currently 7.3%).

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	959	1,022	1,096
Net Profit Adj (Eu mn)	405	449	521	564	615
EPS New Adj (Eu)	0.422	0.469	0.555	0.604	0.660
EPS Old Adj (Eu)	0.422	0.469	0.554	0.601	0.651
DPS (Eu)	0.347	0.480	0.516	0.555	0.596
EV/EBITDA Adj	17.0	16.9	14.8	13.9	13.0
EV/EBIT Adj	31.9	29.3	24.2	21.9	19.7
P/E Adj	24.7	22.2	18.8	17.2	15.8
Div. Yield	3.3%	4.6%	5.0%	5.3%	5.7%
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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BUY: stock expected to outperform the market by over 25% over a 12 month period;

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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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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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