

INWIT

Sector: Telecoms

NEUTRAL

Price: Eu9.95 - Target: Eu11.50

Decent Visibility Despite OLO Weakness and Seasonal Trends

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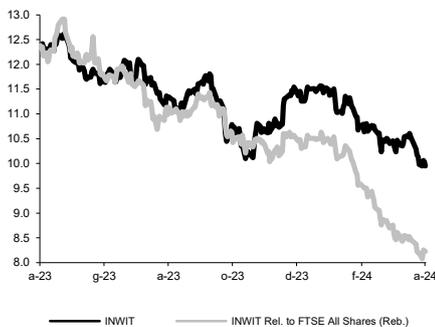
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 12.00 to 11.50		
	2024E	2025E	2026E
Chg in Adj EPS	-3.2%	-1.2%	-0.5%

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	-4.8%	-12.5%	-19.6%
Relative	-6.1%	-23.5%	-40.4%
12M (H/L)	12.61/9.95		
3M Average Volume (th):	1,130.44		

Shareholder Data

No. of Ord shares (mn):	960
Total no. of shares (mn):	932
Mkt Cap Ord (Eu mn):	9,554
Total Mkt Cap (Eu mn):	9,554
Mkt Float - Ord (Eu mn):	3,239
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):	13,756

■ **1Q24 Preview.** We do not expect 1Q organic trends to show any significant discontinuity considering the recent update of the 2024-26 industrial plan. The market context should confirm the weakness in OLO demand, particularly in the FWA segment, and a seasonally weaker performance in 1Q compared to 4Q. Despite this, the company should have enjoyed good visibility in 1Q on the FY target for mid-to-high single-digit top line growth, thanks to upside on the CPI-link (5% average rate for 2023) on MSA contracts, and continued growth in new services for anchor tenants. We expect 8.5% growth in both the top line (€253mn) and adj. EBITDA (€879mn), with margins broadly stable YoY (91.6%, FY tgt: >91%), while adj. EBITDAaL (€184mn) should have grown 11% with a 72.5% margin (FY tgt: >73%). RLFCF (€147mn, up 7.5%) should have benefited from the lack of tax payments and limited NWC absorption, despite higher cash interest charges (€20mn, +€2mn vs. 4Q) and should have been partially absorbed by development CapEx (€75mn) and a €31mn cashout for the buyback, bringing net debt to €4.17bn (4.5x EBITDA), slightly below YE23.

■ **Operational KPIs to mirror 4Q trends:** a) +600 PoPs with anchors (FY24 tgt: +2k, FY24-26: +5k with a more front-end loaded phasing) driven by new sites and new services offsetting lower support from “common grid” (optimisation of existing sites); b) +400 PoPs with OLOs (FY tgt: 2k, FY24-26: +6k); c) +200 new sites (FY24E: +850, FY24-26 tgt: +2.2k).

■ **Updated estimates.** We are confirming our FY24 top line estimate but trimming the margin (-0.2pp to 91.6%) to reflect a flattish trend YoY. We are cutting FY24 EPS by 3% to encapsulate higher financial charges (+€10mn).

■ **NEUTRAL confirmed; target cut to €11.5 (from €12).** We confirm our NEUTRAL rating as: a) the recently presented business plan, despite projecting slightly lower CAGRs for revenue, EBITDAaL and recurring FCF, assumes higher development 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 Towers in the short term (at least not before closing of the deal between Vodafone and Fastweb expected in 1Q25). Based on our new estimates we are trimming our DCF-based TP to €11.5 (from €12), a figure that offers 15% 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 target, the stock would trade at 19x 2024E EV/EBITDAaL (currently 17x), below the multiples implicit in the recent M&A deals (both disposals of CLNX’s tower portfolios in Nordics and Ireland went through at 24x), and a 2026 RFCF yield of 6.9% (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	0.555	0.604	0.660
DPS (Eu)	0.347	0.480	0.516	0.555	0.596
EV/EBITDA Adj	17.0	16.9	14.4	13.5	12.6
EV/EBIT Adj	31.9	29.3	23.5	21.3	19.1
P/E Adj	23.6	21.2	18.5	16.7	15.2
Div. Yield	3.5%	4.8%	5.2%	5.6%	6.0%
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)
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- 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:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
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Emitente	%	Long/Short
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