INWIT

BUY

Sector: Telecoms

Price: Eu11.39 - **Target: Eu15.00**

4Q Should Mirror 3Q and Meet Targets, High Visibility on FY24

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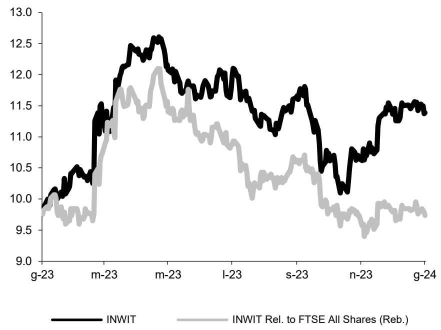
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 13.30 to 15.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-0.4%	-1.2%	-0.8%

Next Events
FY23 Results out 7th March 2024

INWIT - 12M Performance



Stock Data			
Reuters code:			INWT.MI
Bloomberg code:			INW IM
Performance	**1M**	**3M**	**12M**
Absolute	0.2%	6.1%	16.7%
Relative	-0.6%	-1.4%	-0.3%
12M (H/L)			12.61/9.86
3M Average Volume (th):			1,019.73

Shareholder Data	
No. of Ord shares (mn):	960
Total no. of shares (mn):	933
Mkt Cap Ord (Eu mn):	10,937
Total Mkt Cap (Eu mn):	10,937
Mkt Float - Ord (Eu mn):	3,675
Mkt Float (in %):	33.6%
Main Shareholder:	
Vodafone	33.2%

Balance Sheet Data	
Book Value (Eu mn):	4,122
BVPS (Eu):	4.42
P/BV:	2.6
Net Financial Position (Eu mn):	-4,459
Enterprise Value (Eu mn):	15,085

- **4Q23 preview.** 4Q should mirror 3Q trends for industrial KPIs and financials, allowing achievement of FY23 outlook at the lower end of the ranges for the top line (€960-980mn, our exp. €962mn) and at the higher end for RFCF (€595-605mn, our exp. €602mn). Within the mix, we expect confirmation of low-teen growth (4Q: +12.7%, 3Q: +12.6%) as a result of the CPI link (8% 2022 avg), new sites, new PoPs, and strong uptake of new services (4Q: €13mn, 3Q: €12mn), offsetting the persistent weakness in demand from OLO/FWA clients. Industrial KPIs should remain robust, with 260 new sites (3Q: 230, 2Q: 225, 1Q: 135) in line with the FY target (enhanced to c.850 from c.800) to include new anchor MSA sites and other BTS programmes. Demand should remain strong, contributing to 1,020 new PoPs, of which 630 from Anchors (3Q: +620, 2Q: +650, 1Q: +730) and 390 from new OLO adds (3Q: +400, 2Q: +410, 1Q: +350). The tenancy ratio still at best-in-class levels at 2.25x (3Q: 2.21x).
- **FY24 outlook: 5% CPI confirmed and 2/3 of growth already visible.** Along with FY23 results, the company should provide new outlook on FY24. In line with BP targets, top-line growth should reflect a 5% CPI rate (already in our numbers). In particular, the 5.5% average FOI index in 2023 will be entirely applied to anchor revenues, while an average 2% cap will be applied to OLO revenues, accounting for 15% of INWIT sales. 2/3 of growth is already visible thanks to MSA commitments, while the remaining one-third should be contingent on the trajectory of OLO/FWA demand, with uncertainties tied to Open Fiber's BP and rumours suggesting Wind3 is actively looking at Linkem's OpNet. Additionally, new services with the further drive for indoor coverage by anchors and the opportunity to unlock hosting for Iliad, could play a crucial role.
- **Updated estimates.** We are adjusting our FY23-26 estimates with minor revisions to account for a reduced contribution from OLOs (-3%), partially mitigated by margin improvements. This results in a 1% cut in EPS for FY24-26 and a 3% cut in RFCF. Below the RFCF line, we are rescheduling the €300mn buyback (€135mn in FY23, €165mn in FY24) and increasing development CapEx in FY24 by €50mn.
- **BUY confirmed; new target at €15.0 (from €13.30).** On the new estimates, we increase our DCF-based TP to €15.0 (from €13.3) to reflect a lower risk-free rate (from 4.5% to 4.0%), while we slightly reduce the speculative premium (from 15% to 10%) on our fundamental FV of €13.7 (previously €11.5) as we believe any deal from Ardian/Vantage Towers (potential takeover and delisting of INWIT) may need more time, pending an effective normalisation of market interest rates. 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) potential re-rating from reduction in interest rates. At our TP, the stock would trade at 24x 2024E EV/EBITDAaL (currently 20x), slightly below the multiples implicit in the recent deals for VTWR (26x) and GD Towers (25x) or CLNX's tower portfolio sales in Sweden and Denmark (24x), and at an '24 RFCF yield of 4.5% (currently 6%).

Key Figures & Ratios	2022A	2023E	2024E	2025E	2026E
Sales (Eu mn)	853	962	1,047	1,112	1,181
EBITDA Adj (Eu mn)	781	882	960	1,022	1,087
Net Profit Adj (Eu mn)	405	449	521	562	607
EPS New Adj (Eu)	0.422	0.469	0.554	0.601	0.651
EPS Old Adj (Eu)	0.422	0.470	0.561	0.607	
DPS (Eu)	0.347	0.480	0.516	0.555	0.596
EV/EBITDA Adj	17.0	16.9	15.7	14.8	13.9
EV/EBIT Adj	31.9	29.2	25.7	23.4	21.3
P/E Adj	27.0	24.3	20.6	18.9	17.5
Div. Yield	3.0%	4.2%	4.5%	4.9%	5.2%
Net Debt/EBITDA Adj	5.2	4.8	4.6	4.4	4.1