

INWIT

Sector: Telecoms

BUY

Price: Eu11.58 - Target: Eu15.00

Site Roll-out Accelerating, Pick-up in New Services, Robust RFCF

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

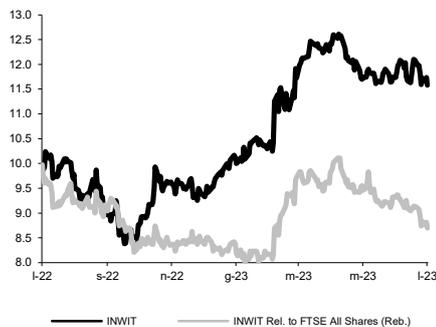
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-3.6%	-2.1%	-3.0%

Next Events

3Q23 Results 9 November

INWIT - 12M Performance



Stock Data

Reuters code:	INWT.MI		
Bloomberg code:	INW IM		
Performance	1M	3M	12M
Absolute	-1.3%	-6.7%	16.1%
Relative	-7.1%	-12.5%	-17.3%
12M (H/L)	12.61/8.29		
3M Average Volume (th):	1,182.03		

Shareholder Data

No. of Ord shares (mn):	960
Total no. of shares (mn):	942
Mkt Cap Ord (Eu mn):	11,119
Total Mkt Cap (Eu mn):	11,119
Mkt Float - Ord (Eu mn):	3,736
Mkt Float (in %):	33.6%
Main Shareholder:	
Vodafone	33.2%

Balance Sheet Data

Book Value (Eu mn):	4,289
BVPS (Eu):	4.55
P/BV:	2.5
Net Financial Position (Eu mn):	-4,253
Enterprise Value (Eu mn):	15,167

- 2023 results.** 2Q results were broadly in line with expectations, with the P&L a touch weaker but RFCF much stronger (€187mn, +32/35% vs our/cons. estimates, +85% YoY) mostly thanks to the unwinding of NWC (recovery of legacy items and optimisation activity), lower cash taxes and lease payments in line with quarterly seasonality (2Q lower vs. 1Q). Revenues were up +12.8% to €237.6mn, underpinned by anchor MSAs (+12.4% YoY) and a visible pick-up in new services (€11.5mn, +45% YoY) driven by demand for DAS indoor coverage, compensating the expected subdued growth of OLO revenues (+5.6% YoY). EBITDAaL was up +16.7% to €167.6mn, benefitting from limited growth in ground lease costs (+1.3%, at €48.8m) despite the increased asset base and inflation, with a flat margin QoQ at 71%. Net income was up 9.3% YoY to €80.8mn, -4/5% vs. our/consensus estimates due to higher D&A, interest charges and taxes. KPIs were solid (+650 Anchor PoPs, +410 OLO PoPs, +225 new sites) with FY23-26 guidance confirmed.
- Positive tone from the conference call.** Supportive messages on the FWA market (expecting 2H to be better than 1H, FWA still seen as structural market opportunity, confidence reiterated in maintaining a cruising speed of 400-500 tenants per quarter with OLOs, at least to YE), delivery of new sites (200 additional new sites from BTS programme on top of the 600 target with anchors set in the BP, leading to 800 sites), the M&A environment in Italy (not seeing any change in behaviour from Wind3 after recent EQT deal, nor any pressure from ground consolidators) and on the easing of EM limits (still on the political agenda, but no clear visibility on the next steps). Positive hints on cash taxes (expected <€20mn this year, consensus €27mn) and the NWC trend (to stay positive in FY23) suggest upside risks to FY23 RFCF targets (despite confirmation).
- Updated estimates.** We are leaving top line and margin estimates unchanged, while raising D&A and financial charges at bottom line, leading to c. 3-4% cut in 2023-25 adj. EPS. The reduction in cash taxes (from €35mn to c.€20mn) and the increase in lease costs (from €196mn to €204mn) lead to an increase of c.1% in RFCF in FY23 (now €604mn, company guidance €595-605mn) and the following years.
- BUY confirmed; target still €15.0.** 2Q showed steady progress in BP execution and confirmed the company's structural ability to grow RFCF. The revision to our estimates leads us to confirm our €15 target price, which already reflects a 15% speculative premium (unchanged) on our fundamental FV of €13.0. 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 the MSA 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 currently trading at 22x EV/EBITDAL 2023E, well below the multiples implicit in the recent transactions for Vantage Towers (26x) and GD Towers (25x), and an RFCF yield of 5.4% in 2023 (6.3% in 2026).

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	785	853	970	1,053	1,119
EBITDA Adj (Eu mn)	714	781	883	958	1,024
Net Profit Adj (Eu mn)	301	405	460	525	568
EPS New Adj (Eu)	0.313	0.422	0.482	0.560	0.603
EPS Old Adj (Eu)	0.313	0.422	0.500	0.571	0.622
DPS (Eu)	0.323	0.347	0.480	0.516	0.555
EV/EBITDA Adj	18.6	17.0	17.2	15.9	15.0
EV/EBIT Adj	37.5	31.9	29.5	25.9	23.5
P/E Adj	37.0	27.5	24.0	20.7	19.2
Div. Yield	2.8%	3.0%	4.1%	4.5%	4.8%
Net Debt/EBITDA Adj	5.7	5.2	4.8	4.6	4.4