

WEBUILD

Sector: Industrials

OUTPERFORM

Price: Eu2.35 - Target: Eu3.30

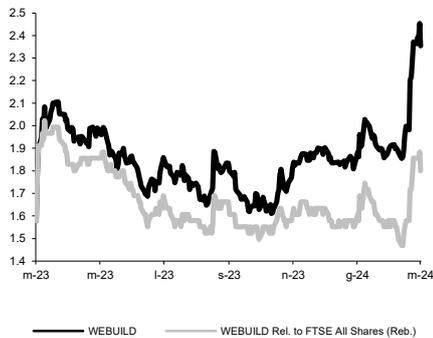
FY23 Results Well Above Targets. TP raised to Eu3.3

 Enrico Coco +39-02-77115.230
 enrico.coco@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 2.90 to 3.30		
	2024E	2025E	2026E
Chg in Adj EPS	9.8%	3.4%	

WEBUILD - 12M Performance



Stock Data

 Reuters code: WBD.MI
 Bloomberg code: WBD IM

Performance	1M	3M	12M
Absolute	23.4%	23.8%	49.1%
Relative	16.6%	12.5%	18.7%
12M (H/L)	2.45/1.61		
3M Average Volume (th):	2,258.92		

Shareholder Data

No. of Ord shares (mn):	1,002
Total no. of shares (mn):	1,002
Mkt Cap Ord (Eu mn):	2,359
Total Mkt Cap (Eu mn):	2,373
Mkt Float - Ord (Eu mn):	751
Mkt Float (in %):	31.9%
Main Shareholder:	
Salini Costruttori S.p.A.	40.4%

Balance Sheet Data

Book Value (Eu mn):	1,666
BVPS (Eu):	1.66
P/BV:	1.4
Net Financial Position (Eu mn):	654
Enterprise Value (Eu mn):	1,704

■ **FY23 results well above estimates and business plan targets. Sitting on Eu1.4bn cash pile.** Webuild reported FY23 results that were significantly above estimates and management's targets for 2023, supported by last year's strong order intake driven by NRRP rail investments in Italy. Orders acquired in 2023 were over Eu22bn, or 2.7x book to bill (far exceeding the 1.1x plan target), with the backlog reaching Eu64bn (above the 2025 plan target) which provides c.6 years of visibility on the P&L. We note that 96% of the 2023 order intake refers to low-risk countries (Europe, North America, Australia, Middle East), with Italy accounting for c.50% (Eu11.6bn contracts associated with the NRRP). Adj. revenues grew 22% YoY to Eu9.99bn and were 4% better than expected (guidance was Eu9.0-9.5bn, our estimate Eu9.59bn). Adj. EBITDA of Eu819mn (+43% YoY) was 12% above our estimate (Eu729mn) with profitability at 8.2% vs. 7.0% in 2022 and guidance for 8.0% in FY23 (we note that the 2H23 EBITDA margin was 9.8% after 6.2% in 1H23, suggesting higher profitability of NRRP works entering execution). Adj. EBIT of Eu475mn (vs. Eu440mn expected) was up 48% YoY, driving adj. net profit (PPA of Astaldi and Clough, GUPC arbitration) of Eu236mn vs. Eu191mn expected and Eu118mn in FY22. At YE23, Webuild had Eu1.43bn of net cash (Eu4.0bn cash, Eu2.6bn gross debt) vs. our estimate of Eu395mn, thanks to advance payments on contracts awarded to the group during 2023.

■ **2024 guidance looks conservative.** 2024 targets point to book-to-bill >1.0x, revenues >Eu11bn, EBITDA >Eu900mn (margin stable vs. FY23), net cash position >Eu400mn (reversal of working capital after the strong 2023), with a confirmed commitment to reducing the gross debt (Eu2.6bn in 2023, flat YoY) by Eu200-250mn by 2025. In our view, management's 2024 targets are conservative in light of the accelerating conversion of the backlog, the successful renegotiation of key contracts on a cost-plus basis (Snowy in Australia), the higher profitability of contracts associated with the NRRP, and efficiency actions put in place on costs and working capital. We think the Eu400mn net cash guidance for 2024 assumes a book-to-bill of 1x and has a buffer of Eu300-400mn assuming a 2024 order intake of c.Eu15bn vs. Eu22.4bn in 2023.

■ **FY24-25 estimates upgrade.** Following FY23 results, we are raising our 2024-25 EBITDA estimates by 10% and improving the NFP by c.Eu200mn: we estimate sales at Eu11.3bn in 2024 rising to Eu12.5bn in 2025, EBITDA at Eu932mn in 2024 rising to Eu1.05bn in 2025, with net cash at Eu654mn in 2024 and Eu711mn in 2025.

■ **OUTPERFORM; target Eu2.9 to Eu3.3.** The group has delivered on its balance sheet de-risking strategy by re-focusing on low-risk regions (96% of orders 2023) and by adding scale, which is important in the construction sector as it helps manage risks. This improves the visibility/quality of margins and supports a re-rating of multiples. As EBITDA approaches Eu1.0bn, leverage (gross debt /EBITDA) also improves. We confirm our OUTPERFORM rating, raising the TP from Eu2.90 to Eu3.3, implying 6.0x EV/EBIT 2024E ex cash.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Sales (Eu mn)	6,691	8,163	9,994	11,344	12,455
EBITDA Adj (Eu mn)	451	572	729	838	960
Net Profit Adj (Eu mn)	-56	118	236	269	329
EPS New Adj (Eu)	-0.056	0.119	0.237	0.270	0.323
EPS Old Adj (Eu)	-0.056	0.119	0.191	0.246	0.312
DPS (Eu)	0.055	0.057	0.071	0.100	0.120
EV/EBITDA Adj	3.3	2.3	0.5	2.0	1.7
EV/EBIT Adj	7.6	4.0	0.8	3.1	2.4
P/E Adj	nm	19.8	9.9	8.7	7.3
Div. Yield	2.3%	2.4%	3.0%	4.2%	5.1%
Net Debt/EBITDA Adj	-1.0	-0.5	-2.0	-0.8	-0.7

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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;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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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