

# WEBUILD

Sector: Industrials

# OUTPERFORM

Price: Eu1.90 - Target: Eu2.90

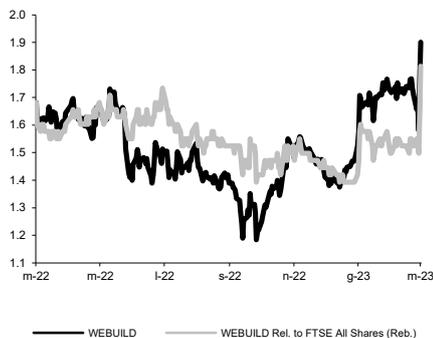
## 2023-25 Plan supports re-rating. TP raised to Eu2.90.

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 2.35 to 2.90		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	33.1%	38.6%	50.5%

### WEBUILD - 12M Performance



### Stock Data

Reuters code:	WBD.MI		
Bloomberg code:	WBD IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	10.7%	34.7%	13.0%
Relative	18.6%	27.3%	8.4%
12M (H/L)	1.90/1.18		
3M Average Volume (th):	2,015.86		

### Shareholder Data

No. of Ord shares (mn):	1,002
Total no. of shares (mn):	1,004
Mkt Cap Ord (Eu mn):	1,905
Total Mkt Cap (Eu mn):	1,914
Mkt Float - Ord (Eu mn):	607
Mkt Float (in %):	31.9%
Main Shareholder:	
Salini Costruttori S.p.A.	40.4%

### Balance Sheet Data

Book Value (Eu mn):	1,547
BVPS (Eu):	1.54
P/BV:	1.2
Net Financial Position (Eu mn):	318
Enterprise Value (Eu mn):	1,596

■ **2023-25 plan solid and above expectations.** On 16<sup>th</sup> March, Webuild reported FY22 results above consensus and disclosed financial targets for the 2023-2025 period significantly above expectations, with 2025 revenues seen close to Eu11.0bn and EBITDA >Eu1.0bn at mid-point or ca. 15% and 35% above our previous estimates. The plan appears solid: the backlog covers 95% of 2023-25 revenues and EBITDA (conversion is accelerating in Italy; expected to contribute 35% to 2023-25 revenues), and low-risk regions such as Italy, Australia, North America, Europe account for 85% of the landing backlog. We think management's target of improving the EBITDA margin to 9.5% in 2025 has good visibility as it mainly reflects the profitability of high-quality orders secured in the last years. We reiterate the Outperform rating on the stock and rise the TP from Eu2.35 to Eu2.90, implying 6.0x EV/EBIT 2023 vs. the current 3.7x.

■ **Executing de-risking strategy.** Webuild closed FY22 sales and EBITDA 10% and 8% above consensus and guided for 2023-25 targets significantly above estimates, with 2025 mid-point EBITDA seen at ca. Eu1.0bn vs. <0.6bn in FY22. Key pillars of the plan are: 1) accelerating high-margin revenue conversion in Italy with >Eu9.0bn backlog on NRRP projects and additional Eu13bn in contracts expected to go to tender in 2023-24; use Lane and Clough as platforms to enhance growth and participate to infrastructure investment plans in US and Australia (i.e. defence, energy and fertilizer sectors); exploit opportunities in markets like water treatment and data centres/hospitals; 2) improving margins through cost efficiencies (Eu230mn cumulative savings in 2023-25 contributing 100bps to improve the margin), and mainly leveraging on high-quality projects acquired in past years through the NRRP (explaining over 50% of the EBITDA growth over the plan period); 3) further deleveraging with Eu200-250mn reduction in gross debt targeted in 2025; 4) reorganization of subsidiaries to reduce costs and seize market opportunities.

■ **FY23-25 estimates.** Following the presentation of the plan, we have updated our model, which now also includes Clough contributing Eu600mn sales in 2023e rising to over Eu1.0bn in 2025 with a 7.0% assumed margin. We estimate sales at Eu9.2bn in 2023 (guidance Eu9.0/9.5bn), rising to Eu10.7bn in 2025 (Eu10.5/11.0bn), and EBITDA at Eu731mn in 2023 (guidance Eu720/760mn), rising to Eu966mn in 2025 (Eu990/1060mn).

■ **OUTPERFORM, target Eu2.90 from previous Eu2.35.** The group has delivered on its balance sheet de-risking strategy by adding scale (consolidation of the Italian market, Clough acquisition in Australia) which is important in the construction sector as it helps manage risks, and by re-focusing on low-risk regions (85% of landing backlog in 2025). This improves the visibility/quality of margins and supports EBITDA cash conversion, and a re-rating of multiples. We raise the TP from Eu2.35 to Eu2.90, implying 6.0x EV/EBIT applied to our new 2023 estimates. If we were to apply the 6.0x multiple to avg. 2024-25 EBIT, the fair value would be above Eu4.0 per share. The Texas Central high-speed line (\$16bn) and the Messina bridge project (>Eu8.0bn) would represent upside risk to medium term estimates.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Sales (Eu mn)	4,766	6,691	8,163	9,249	9,942
EBITDA Adj (Eu mn)	231	451	572	731	845
Net Profit Adj (Eu mn)	-164	-56	118	204	265
EPS New Adj (Eu)	-0.183	-0.056	0.119	0.206	0.267
EPS Old Adj (Eu)	-0.183	-0.056	0.116	0.155	0.192
DPS (Eu)	0.055	0.055	0.057	0.060	0.060
EV/EBITDA Adj	6.8	3.3	2.3	2.2	1.8
EV/EBIT Adj	nm	7.6	4.0	3.4	2.6
P/E Adj	nm	nm	16.0	9.2	7.1
Div. Yield	2.9%	2.9%	3.0%	3.2%	3.2%
Net Debt/EBITDA Adj	1.9	-1.0	-0.5	-0.4	-0.4