Milan, 29 July 2024

Italian Equity Research – 1H24 Results

WEBUILD

OUTPERFORM

Sector: Industrials

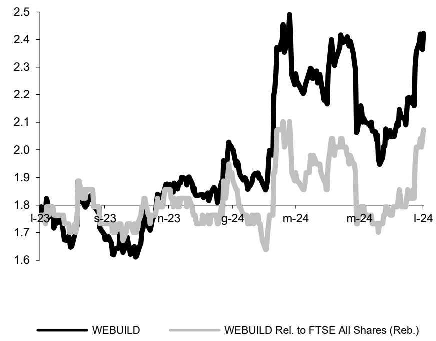
Price: Eu2.42 - **Target: Eu3.30**

Solid 1H24 Results. Outperform and TP of Eu3.3 confirmed

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

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-1.2%	0.5%	1.2%

WEBUILD - 12M Performance



Stock Data			
Reuters code:			WBD.MI
Bloomberg code:			WBD IM
Performance	**1M**	**3M**	**12M**
Absolute	18.1%	6.3%	37.4%
Relative	17.3%	7.4%	21.1%
12M (H/L)			2.49/1.61
3M Average Volume (th):			2,740.52

Shareholder Data	
No. of Ord shares (mn):	1,019
Total no. of shares (mn):	1,019
Mkt Cap Ord (Eu mn):	2,468
Total Mkt Cap (Eu mn):	2,485
Mkt Float - Ord (Eu mn):	786
Mkt Float (in %):	31.9%
Main Shareholder:	
Salini Costruttori S.p.A.	40.4%

Balance Sheet Data	
Book Value (Eu mn):	1,663
BVPS (Eu):	1.63
P/BV:	1.5
Net Financial Position (Eu mn):	661
Enterprise Value (Eu mn):	1,807

- **1H24 results above estimates. Net cash position maintained at Eu1.4bn.** Webuild reported 1H24 results above estimates both at P&L and net financial position level. Orders acquired YtD were over Eu7.5bn vs. Eu6.0bn expected, or 65% of FY guidance, with the backlog reaching Eu65bn, providing visibility well beyond the 2023-25 plan. We note that 96% of order intake YtD refers to low-risk countries (Europe, North America, Australia, Middle East), denoting a more selective commercial approach which also supports margins and cash conversion. Adj. revenues grew 20% YoY to Eu5.5bn and were 5% better than expected (Eu5.2bn). Adj. EBITDA of Eu407mn (+41% YoY) was 9% above our estimate (Eu374mn) with profitability at 7.5% vs. 7.3% expected and 6.3% in 1H23. Adj. EBIT of Eu226mn (Eu170mn expected) was up 63% YoY, driving adj. net profit (PPA of Astaldi and Clough) of Eu82mn vs. Eu52mn expected and Eu23mn in 1H23. As at end-June 2024, Webuild had Eu1.44bn of net cash, stable vs. end-December 2023 (Eu1.43bn), with gross debt at Eu2.8bn, up Eu200mn vs. FY23 due to the net impact of bond issuing (Eu500mn in June 2024) and repurchases.
- **Conference call feedback: 2024 guidance looks conservative, talks on Fisia**. 2024 targets were reiterated awaiting the new plan to be presented in March 2025. Guidance points 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 reduce the gross debt (Eu2.6bn in 2023) 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 (in particular Snowy in Australia), the higher profitability of contracts associated with the NRRP, and efficiency actions put in place on costs and working capital. During the call, management expressed confidence in achieving the consensus estimate of a Eu600/700mn FY24 net financial position, which is above guidance, and said the group is in talks with some private investors on Fisia (active in the construction of water treatment and desalination plants; Eu600mn backlog and ca. Eu230mn sales) both to enter company capital as a shareholder and to take part as a developer of some initiatives.
- **FY24-25 estimates fine-tuning.** Following 1H24 results, we have made minor changes to our model as we were already above management's targets. We have raised 2024-25 sales by +2% (Eu11.6bn in FY24E vs. previous Eu11.3bn and guidance >Eu11bn), EBITDA by +1% (Eu937mn in FY24e vs. previous Eu932mn and guidance >Eu900mn), and NFP by 1% (Eu661mn FY24E vs. previous Eu654mn and guidance >Eu400mn).
- **OUTPERFORM; TP unchanged at Eu3.3.** The group has delivered on its balance sheet de-risking strategy by re-focusing on low-risk regions 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, and TP of 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	11,613	12,763
EBITDA Adj (Eu mn)	451	572	729	838	960
Net Profit Adj (Eu mn)	-56	118	236	266	331
EPS New Adj (Eu)	-0.055	0.119	0.237	0.267	0.325
EPS Old Adj (Eu)	-0.056	0.119	0.237	0.270	0.323
DPS (Eu)	0.055	0.057	0.071	0.100	0.120
EV/EBITDA Adj	3.4	2.3	0.5	2.2	1.8
EV/EBIT Adj	7.7	4.1	0.9	3.3	2.6
P/E Adj	nm	20.4	10.2	9.1	7.5
Div. Yield	2.3%	2.4%	2.9%	4.1%	5.0%
Net Debt/EBITDA Adj	-1.0	-0.5	-2.0	-0.8	-0.8

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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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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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