

WEBUILD

Sector: Industrials

OUTPERFORM

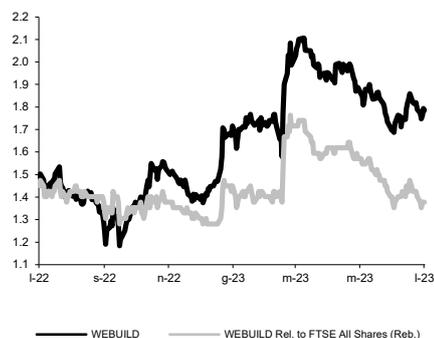
Price: Eu1.79 - Target: Eu2.90

1H23 results solid on orders and FCF

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-7.0%	-7.8%	-6.5%

WEBUILD - 12M Performance



Stock Data			
Reuters code:	WBD.MI		
Bloomberg code:	WBD IM		
Performance	1M	3M	12M
Absolute	5.1%	-8.4%	23.2%
Relative	-1.1%	-16.2%	-8.0%
12M (H/L)	2.11/1.18		
3M Average Volume (th):	1,330.70		

Shareholder Data	
No. of Ord shares (mn):	1,002
Total no. of shares (mn):	1,004
Mkt Cap Ord (Eu mn):	1,789
Total Mkt Cap (Eu mn):	1,798
Mkt Float - Ord (Eu mn):	570
Mkt Float (in %):	31.9%
Main Shareholder:	
Salini Costruttori S.p.A.	40.4%

Balance Sheet Data	
Book Value (Eu mn):	1,500
BVPS (Eu):	1.50
P/BV:	1.2
Net Financial Position (Eu mn):	395
Enterprise Value (Eu mn):	1,402

■ **1H23 results above estimates on FCF, weaker margin.** Webuild reported 1H23 results above estimates for revenues and cash generation, supported by strong order intake, although the EBITDA margin was below expectations (improvement expected in 2H23 based on profitability expected from contracts acquired in 2022 and first part of 2023). Orders acquired YtD were Eu17.7bn (Eu22.7bn including the Messina bridge) including Eu4.4bn projects for which Webuild is best bidder, well above initial expectations. Commercial momentum remains strong with Eu13bn bids awaiting outcome. We note 90% of 2023 order intake refers to low-risk countries (Europe, North America, Australia), with Italy accounting for ca. 50% (Eu9.2bn contracts associated with the NRRP). Adj. revenues at Eu4.56bn grew 18% YoY and were 4% better than expected. The group appears on track with the high-end of FY23 revenue guidance of Eu9.0/9.5bn (we estimate Eu9.6bn). The EBITDA of Eu289mn (+14.9% YoY) was 8% below our estimate due to softer profitability of contracts executed in 1H23 (6.1% margin vs. 7.1% expected). Management reiterated the target of Eu720/760mn EBITDA in 2023 (8.0% margin at mid-point), to which we are aligned, thanks to the higher profitability of contracts to be executed in 2H associated with the NRRP. The key positive was cash flow generation, with the net cash position of Eu438mn as of June 2023 vs. Eu285mn net debt expected as the seasonal increase in working capital in 1H was more than offset by advanced payments from the strong intake. We have slightly improved our FY net cash position estimate from Eu318mn to Eu395mn.

■ **FY23-25 estimates fine-tuned.** Following 1H23 results, we have updated our model, lifting sales and net cash estimates with EBITDA unchanged. We reiterate the Outperform rating on the stock and raise the TP from Eu2.35 to Eu2.90, implying 6.0x EV/EBIT 2023 vs. the current 3.7x. We estimate sales at Eu9.6bn in 2023 (guidance Eu9.0/9.5bn), rising to Eu11.1bn in 2025 (Eu10.5/11.0bn), and EBITDA at Eu729mn in 2023 (guidance Eu720/760mn), rising to Eu960mn in 2025 (Eu990/1060mn).

■ **OUTPERFORM, target Eu2.90.** 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 confirm the TP of Eu2.90, implying 6.3x EV/EBIT 2023E. 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	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	6,691	8,163	9,595	10,314	11,097
EBITDA Adj (Eu mn)	451	572	729	838	960
Net Profit Adj (Eu mn)	-56	118	191	245	317
EPS New Adj (Eu)	-0.056	0.119	0.191	0.246	0.312
EPS Old Adj (Eu)	-0.056	0.119	0.206	0.267	0.334
DPS (Eu)	0.055	0.057	0.060	0.060	0.060
EV/EBITDA Adj	3.3	2.3	1.9	1.6	1.3
EV/EBIT Adj	7.6	4.0	3.2	2.4	1.9
P/E Adj	nm	15.0	9.3	7.3	5.7
Div. Yield	3.1%	3.2%	3.4%	3.4%	3.4%
Net Debt/EBITDA Adj	-1.0	-0.5	-0.5	-0.5	-0.5

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