

# WIIT

Sector: Industrials

# OUTPERFORM

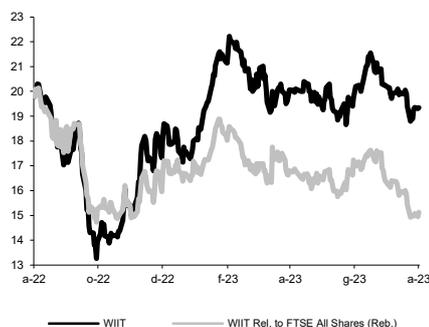
Price: Eu19.00 - Target: Eu27.00

## Solid Margins in Italy and Germany Catch-Up Should Boost 2H

**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	-13.9%	-10.6%	-9.9%

**Next Event**  
 3Q23 Results out 13 November

**WIIT - 12M Performance**


Stock Data			
Reuters code:	WIIT.MI		
Bloomberg code:	WIIT IM		
Performance	1M	3M	12M
Absolute	-4.5%	-2.2%	-2.3%
Relative	-8.1%	-9.5%	-30.0%
12M (H/L)	22.22/13.27		
3M Average Volume (th):	31.84		

Shareholder Data	
No. of Ord shares (mn):	27
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	513
Total Mkt Cap (Eu mn):	513
Mkt Float - Ord (Eu mn):	213
Mkt Float (in %):	41.4%
Main Shareholder:	
WIIT Fin Srl	52.8%

Balance Sheet Data	
Book Value (Eu mn):	31
BVPS (Eu):	1.09
P/BV:	17.7
Net Financial Position (Eu mn):	-195
Enterprise Value (Eu mn):	737

■ **2Q/1H results.** 1H top line and adj. EBITDA were 2% above expectations, while adj. net profit was below, burdened by higher D&A, financial charges (following the issue of the €20mn variable-rate bond in Dec-22) and taxes. Revenues came in at €64.2mn (our exp. €63.0mn), up 18.2%, thanks to organic growth, contract extensions, the acquisition of new customers and the contribution of German and Italian companies acquired during 2022 and early 2023 (€3.8mn from Lansol, €2.2mn from Global Access and €3.0mn from ERPTech): Germany stood at €35.6mn (our exp. €34.4mn), up 6.4% organically (core revenues +7.6%) and Italy at €28.6mn (our exp. €28.6mn), up 8.5% (core revenues +19.7%). The adj. EBITDA margin came to 37.9% in 1H (our exp. 37.9%), +2.4pp YoY, with Germany at 33.8% (our exp. 35.0%, FY22: 33.6%) and Italy at 43.0% in 1H (our exp. 41.5%, FY22: 37.5%) and 45.3% in 2Q, marking a significant QoQ improvement (1Q: 40.8%). The cost of electricity in 1H23 was 6.7% of group sales or €4.3mn (€4.1mn in 1H22) mostly in Germany. €22mn of OpFCF was completely absorbed by the €8.0mn cash-out for M&A, €7.8mn dividend and €5.3mn buyback (net of a €6.7mn sale of treasury shares), driving net debt up to €198mn (our exp. €199mn), above YE22 (€183mn), or €151mn ex-IFRS 16 impact (€12mn) and including treasury shares (€35mn), 3x adj. EBITDA'23E.

■ **Conference call feedback.** Management is confident of maintaining a 44-45% margin in Italy (c.8-10% organic sales growth), thanks to full exploitation of ERPTech integration synergies, and also of recovering 2-3pp in Germany (lower energy costs), with margins rising to the 35-36% area (c.7% sales growth; ambition to reach 8-10% in the coming Qs thanks to new contracts and marketing efforts). The company sees no sign of a slowdown from existing clients in Germany, in contrast to Reply's experience (consultancy business is less stable). Finally, the call struck a confident tone on potential M&A in Central Europe (Switzerland and Germany, decision one way or the other by the end of summer), which we feel could mostly be funded with the current stock of treasury shares.

■ **Updated estimates.** We are leaving our FY23-25 revenues/EBITDA estimates unchanged, while at bottom line we are factoring in higher ordinary D&A (+€2mn to €22mn) and net financial charges (+€1.5mn to c.€7mn), resulting in a 10-14% cut in 2023-25 adj. EPS estimates, but with a neutral impact on FCF (mostly non-cash items).

■ **OUTPERFORM confirmed; target still €27.** Applying the same WACC (6.7% before 2026, 7.7% beyond 2026) and g (2.6%) and the same long-term adj. EBITDA margin (39%), we confirm our DCF-based TP at €27, which implies 18x EV/EBITDA'23 (in line with the historical average, the stock is currently trading at c.15x) and still offers a compelling entry point, prompting us to reiterate our positive view. WIIT should continue to benefit from its leading position as a digital champion, further consolidating small M&A targets in Italy and gaining scale in Germany. WIIT is also well placed in a market with sound growth prospects underpinned by an embedded technological shift from on-premises to cloud infrastructure and services. The company should exploit this trend through its strong market positioning in the premium cloud niche, which is suitable for mission-critical applications requiring the tightest SLAs, and by taking advantage of its extremely scalable business model.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	77	119	133	143	152
EBITDA Adj (Eu mn)	30	42	50	57	60
Net Profit Adj (Eu mn)	9	13	15	20	22
EPS New Adj (Eu)	0.331	0.446	0.547	0.725	0.802
EPS Old Adj (Eu)	0.331	0.446	0.636	0.811	0.890
DPS (Eu)	0.300	0.300	0.274	0.362	0.401
EV/EBITDA Adj	25.5	18.9	14.7	12.7	11.7
EV/EBIT Adj	nm	34.4	26.3	20.7	18.6
P/E Adj	58.5	43.3	35.3	26.7	24.1
Div. Yield	1.6%	1.6%	1.4%	1.9%	2.1%
Net Debt/EBITDA Adj	4.8	4.3	3.9	3.1	2.7