Milan, 13 March 2024

Italian Equity Research – FY23 Results

WIIT

OUTPERFORM

Sector: Industrials

Price: Eu18.36 - **Target: Eu24.00**

A More Profitable Growth Paves the Way for FY24 Outlook

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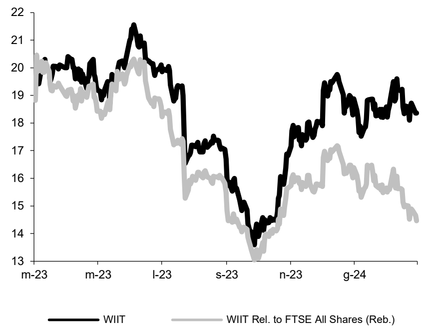
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-10.4%	1.2%	

Next Event
1Q24 Results out 9 May 2024

WIIT - 12M Performance



Stock Data			
Reuters code:			WIIT.MI
Bloomberg code:			WIIT IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.2%	1.5%	-6.2%
Relative	-8.0%	-9.5%	-28.0%
12M (H/L)			21.55/13.60
3M Average Volume (th):			23.10

Shareholder Data	
No. of Ord shares (mn):	28
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	514
Total Mkt Cap (Eu mn):	514
Mkt Float - Ord (Eu mn):	189
Mkt Float (in %):	36.7%
Main Shareholder:	
WIIT Fin Srl	56.5%

Balance Sheet Data	
Book Value (Eu mn):	38
BVPS (Eu):	1.34
P/BV:	13.7
Net Financial Position (Eu mn):	-198
Enterprise Value (Eu mn):	712

- **FY23 results**. WIIT posted a solid set of FY results but in line with our expectations. In a constantly growing market, FY23 sales came to €130.1mn, up 9.5% (9M: +12.7%), benefiting from solid organic growth in core revenues (+10% in Italy, +6% in Germany), a higher focus on valued-added services, increased cross-selling, and the contribution from M&A (€7.7mn Lansol, €4.5mn Global Access). Adj. EBITDA grew 20.3% (9M: 26.5%), even faster than revenues thanks to a better mix and cost synergies that supported margins in Italy (45.5% in FY23, +8pp YoY), while Germany saw a 33.3% margin not too far from the FY22 level (33.6%) mainly due to the consolidation of Lansol. Personnel costs increased €3.8mn YoY (to €34mn) to reflect the change in scope (especially in Germany) and the investments in Corporate and commercial structure. FY FCFO came to €47.6mn (our exp. €42.5mn), completely absorbed by €24.7mn of CapEx, an €8mn cash-out for M&A, €7.8mn for dividends and a €9.9mn buyback, driving net debt up to €202mn (our exp. €195mn, 1H: €199.5mn), or €154mn ex-IFRS 16 impact (€10.6mn) and including treasury shares (€37.5mn), with a leverage ratio of 3x adj. EBITDA'23E.
- **Feedback from conference call**. Management seems highly confident about 2024 trends, expecting a double-digit organic growth in Italy and high single-digit growth in Germany. German operations are showing no impact from the GDP decline, with the company boasting an increasing pipeline and being in the final stages of negotiation for a large €5mn annual contract. Further solidifying their European presence, WIIT is also nearing the acquisition of a target company in the Swiss market - a strategic move to enter the market regardless of the target's size.
- **Change in estimates.** On FY24, we reflect the higher capex (€25.5mn from previous €20mn) and the acquisition of Edge&Cloud, which will bring an additional €8mn in revenue, although with a neutral upside on EBITDA as most of the run rate of cost synergies will start to materialize from next year (c. €2mn in FY25 and €3mn in FY26). On the other hand, we embody higher D&A (+€2mn) and financial expenses (rising from €7.4mn to €7.8mn). This leads to 10% Adj. EPS dilution in FY24, which is fully recovered in FY25/26 (EPS +1%/+4%).
- **OUTPERFORM confirmed; target still €24.** We confirm our DCF-based target at €24, which implies 15x EV/EBITDA'24 (broadly in line with the historical average, the stock is currently trading at c.13x) 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 and entering other markets in the DACH area (Switzerland). 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	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	119	130	148	158	168
EBITDA Adj (Eu mn)	42	51	56	62	68
Net Profit Adj (Eu mn)	13	15	18	23	27
EPS New Adj (Eu)	0.446	0.538	0.632	0.816	0.955
EPS Old Adj (Eu)	0.446	0.537	0.705	0.806	
DPS (Eu)	0.300	0.300	0.316	0.408	0.477
EV/EBITDA Adj	18.9	14.3	12.7	11.1	9.9
EV/EBIT Adj	34.3	25.9	22.2	18.1	15.4
P/E Adj	41.1	34.2	29.0	22.5	19.2
Div. Yield	1.6%	1.6%	1.7%	2.2%	2.6%
Net Debt/EBITDA Adj	4.3	4.0	3.5	2.9	2.3

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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