Milan, 14 November 2023

Italian Equity Research – 3Q23 Results

WIIT

OUTPERFORM

Sector: Industrials

Price: Eu17.16 - **Target: Eu24.00**

Higher Quality Sales, Improved Margins, FY Outlook Confirmed

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- **9M results**. WIIT posted a solid set of 9M results with a 2-3% surprise on adj. EBITDA, while the FY outlook was confirmed. In a constantly growing market, 9M sales came to €96.2mn, up 12.7%, benefiting from solid organic growth in core revenues (+10% in Italy, +8% in Germany), a higher focus on valued-added services, increased cross-selling, and the contribution from M&A (€5.7mn Lansol, €3.5mn Global Access). Adj. EBITDA grew 26.5%, even faster than revenues thanks to a better mix and cost synergies that supported margins in Italy (46% in 9M, 52% in 3Q), while Germany saw a 33.9% margin (34% in 3Q23) not too far from the FY22 level (33.6%) mainly due to the consolidation of Lansol. Personnel costs increased €4mn YoY (to €25mn) to reflect the change in scope (especially in Germany) and the investments in Corporate and commercial structure. 9M FCFO came to €31.5mn (our exp. €29.4mn), completely absorbed by €18.2mn of CapEx, an €8mn cash-out for M&A, €7.8mn for dividends and a €8.5mn buyback, driving net debt up to €199.5mn (our exp. €199.2mn, 1H: €198.7mn), or €161mn ex-IFRS 16 impact (€11mn) and including treasury shares (€28mn), with a leverage ratio of 3x adj. EBITDA’23E.
- **Feedback from conference call**. Management expressed confidence in achieving current consensus expectations for FY23 and FY24. The Group is progressing with the clean-up of low-value revenues, nearing completion in Italy. Around €2-3mn is yet to be addressed this year, potentially leading to FY revenues of around €129-130mn (compared to consensus of €133mn) while EBITDA is expected to remain at €50mn, in line with consensus, resulting in higher margins. Italy's 4Q margin is anticipated to normalise at 45-46%, following the impressive 3Q level of 52% (boosted by a €200k saving on labour costs linked with the summer holiday period), while Germany aims for a 2pp improvement. It's noteworthy that the company has already achieved its medium-term margin target of around 40% within 9 months.
- **Change in estimates.** We are trimming our FY23 top line estimate by 3% to reflect the phase-out of low-margin activities (mostly in Italy), leading to higher profitability (39.1% vs. 37.6% previously), very close to the 9M level. In addition, we include higher financial charges (€7.4mn, from €7.0mn). These changes lead to cuts of c.2/3% to adj. EPS for FY23/24.
- **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.12x) 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.

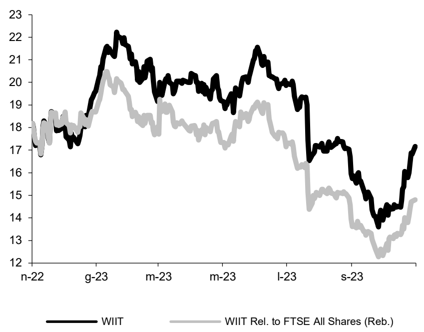
Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	77	119	129	140	149
EBITDA Adj (Eu mn)	30	42	51	57	61
Net Profit Adj (Eu mn)	9	13	15	20	23
EPS New Adj (Eu)	0.331	0.446	0.537	0.705	0.806
EPS Old Adj (Eu)	0.331	0.446	0.547	0.725	0.802
DPS (Eu)	0.300	0.300	0.268	0.353	0.403
EV/EBITDA Adj	25.5	18.9	13.4	11.6	10.5
EV/EBIT Adj	nm	34.4	24.2	19.4	16.9
P/E Adj	51.9	38.5	32.0	24.3	21.3
Div. Yield	1.7%	1.7%	1.6%	2.1%	2.3%
Net Debt/EBITDA Adj	4.8	4.3	3.9	3.2	2.6

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	2024E	2025E
Chg in Adj EPS	-1.9%	-2.7%	0.6%

Next Event

FY23 Results out mid of March 2024

WIIT - 12M Performance



Stock Data			
Reuters code:			WIIT.MI
Bloomberg code:			WIIT IM
Performance	**1M**	**3M**	**12M**
Absolute	23.5%	-0.2%	-3.7%
Relative	20.8%	-2.1%	-20.0%
12M (H/L)			22.22/13.60
3M Average Volume (th):			38.49

Shareholder Data	
No. of Ord shares (mn):	28
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	481
Total Mkt Cap (Eu mn):	481
Mkt Float - Ord (Eu mn):	176
Mkt Float (in %):	36.7%
Main Shareholder:	
WIIT Fin Srl	56.5%

Balance Sheet Data	
Book Value (Eu mn):	30
BVPS (Eu):	1.06
P/BV:	16.2
Net Financial Position (Eu mn):	-195
Enterprise Value (Eu mn):	676