

WIIT

Sector: Industrials

OUTPERFORM

Price: Eu19.20 - Target: Eu27.00

Solid Margin Delivery Improves Visibility on our FY Estimates

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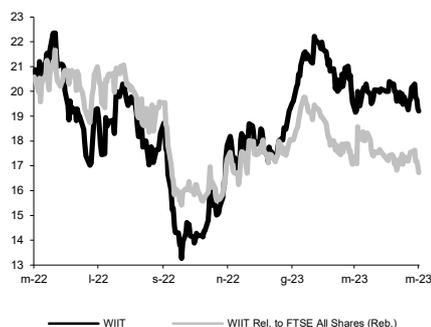
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

2Q23 Results out 2 August

WIIT - 12M Performance



Stock Data

Reuters code:	WIIT.MI
Bloomberg code:	WIIT IM

Performance	1M	3M	12M
Absolute	-4.0%	-11.4%	-6.7%
Relative	-2.9%	-11.5%	-21.4%
12M (H/L)	22.36/13.27		
3M Average Volume (th):	25.68		

Shareholder Data

No. of Ord shares (mn):	27
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	509
Total Mkt Cap (Eu mn):	509
Mkt Float - Ord (Eu mn):	211
Mkt Float (in %):	41.4%
Main Shareholder:	
WIIT Fin Srl	52.8%

Balance Sheet Data

Book Value (Eu mn):	33
BVPS (Eu):	1.19
P/BV:	16.2
Net Financial Position (Eu mn):	-194
Enterprise Value (Eu mn):	732

■ **1Q23 results.** 1Q top line in line with estimates, but 3-4% positive surprise on adj. EBITDA (+9% on adj. EBIT). Revenues at €31.8mn (our exp. €31.4mn, consensus €31.8mn), up 21% YoY, owing in part to a €4.8mn contribution from newly acquired companies (€1.9mn Lansol, €1.1mn Global Access, €1.8mn ERPTech) but also to an improved mix: the German market accounts for 54.3% of overall turnover while Group recurring sales account for 84% of total. Organic growth was the result of higher focus on value-added services, increased cross-selling to acquired companies' customers, and new customer intake: Italy saw a faster pace (1Q: +7.8%, FY22; +4%), in particular on core services (1Q: +9%, FY: +13%), compared to Germany (+4%). Adj. EBITDA was €12.0mn (+4% vs. our exp. 11.5, +3% vs. cons. 11.6), up +19% YoY, with significant margin expansion above 50.7% (vs 35.5% in FY22), and stronger delivery in Italy (40.8% vs 37% in FY22) compared to Germany (35.3% vs 33.6% in FY22) despite the higher electricity costs (€2.5mn, +€0.5mn YoY) mostly attributable to Germany (higher number of DCs managed), and increased personnel costs (€8.3mn, +€1.9mn due to change in scope) which now represent a third of adj. OpEx base. Excluding PPA (c.€1.1mn) and one-offs (€1.0mn), adj. EBIT was €6.7mn (21% margin), leading to adj. net profit of c.€3.9mn (reported €2.2mn). With minor swings in working capital, the €11.2mn cash flow from operations was partially absorbed by CapEx (€8.7mn, our exp. €6.3mn). Considering a €6.4mn M&A cash-out for Global Access and share buybacks (€2.0mn), net debt rose to €192mn (our exp. €178mn), above YE22 (€183mn), or €146.3mn ex-IFRS 16 (€12.8mn) and including treasury shares (€32.8mn), which implies 2.9x adj. EBITDA'23E.

■ **Feedback from call.** Germany: new acquisitions grew double digit (Lansol +20% YoY), with the exception of Boreus, which was flattish as expected (management is confident it will improve next year). Energy costs: c.2pp impact on the German margin. Benefits as of next year from contract with German utility company ensuring fixed-price energy for the next 4 years. Onboarding of new clients: positive one-off on revenues in 1Q, but lower than seen in 4Q. Settlement for Boreus: Eu10mn cash-out in 2Q.

■ **No major change to estimates.** Despite the surprise on 1Q margins and the potential pointers from the conference call, we do not see any scope for significant improvements to our 2023-25 estimates. We merely capture the 1Q one-offs and €10mn settlement for Boreus, which will increase treasury share stock by the same amount.

■ **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 historical average) 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	18	23	25
EPS New Adj (Eu)	0.331	0.446	0.636	0.811	0.890
EPS Old Adj (Eu)	0.331	0.446	0.636	0.811	0.890
DPS (Eu)	0.300	0.300	0.318	0.405	0.445
EV/EBITDA Adj	25.5	18.9	14.6	12.6	11.6
EV/EBIT Adj	nm	34.4	24.5	19.5	17.6
P/E Adj	58.1	43.0	30.2	23.7	21.6
Div. Yield	1.6%	1.6%	1.7%	2.1%	2.3%
Net Debt/EBITDA Adj	4.8	4.3	3.9	3.1	2.7