

WIIT

Sector: Industrials

OUTPERFORM

Price: Eu20.00 - Target: Eu27.00

Strong Order Backlog Supports Visibility on FY23 Trends

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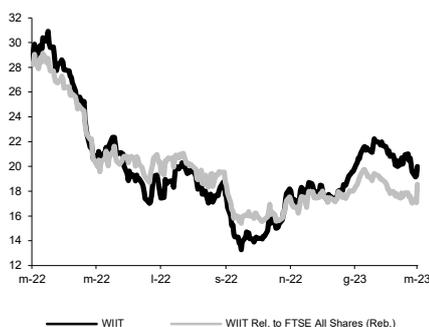
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-7.6%	-6.1%	-6.1%

Next Event

1Q23 Results out 11 May

WIIT - 12M Performance



Stock Data

Reuters code:	WIIT.MI		
Bloomberg code:	WIIT IM		
Performance	1M	3M	12M
Absolute	-4.9%	10.6%	-29.2%
Relative	2.1%	3.2%	-37.0%
12M (H/L)	30.92/13.27		
3M Average Volume (th):	36.51		

Shareholder Data

No. of Ord shares (mn):	27
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	530
Total Mkt Cap (Eu mn):	530
Mkt Float - Ord (Eu mn):	220
Mkt Float (in %):	41.4%
Main Shareholder:	
WIIT Fin Srl	52.8%

Balance Sheet Data

Book Value (Eu mn):	46
BVPS (Eu):	1.64
P/BV:	12.2
Net Financial Position (Eu mn):	-181
Enterprise Value (Eu mn):	742

■ **FY22 results.** Solid results 1-2% above our estimates/consensus on headline numbers (top line €119mn/EBITDA €42mn), while the adj. bottom line (€12.5mn) was c.€1mn lower, mainly due to higher financial charges (related to the 5Y bond issued in Oct 2021), and net debt (€183mn) was slightly better than our estimate (€189mn). DPS proposed at €0.30 (flat YoY), 15/20% above our estimate/consensus. Organic growth was about 4% in Italy (core revenue growth c.13%, ex consultancy and HW re-sale) and +11% in Germany (MyLoc with Mivitec merged +13%), on top of the contribution from new acquisitions (€31.8mn from Gecko and Boreus, €2.5mn from Lansol, €5.9mn from ERPTech). At margin level, the stronger top line along with cost synergies and the continuous improvement of acquired companies' margins partly mitigated inflationary headwinds on OpEx, rising electricity costs, especially in Germany (€8.8mn, almost 2x vs €4.5mn in 2021) and, above all, labour costs, peaking at €29.7m (+€13.5mn YoY mainly due to recent acquisitions in Germany). The group margin on revenues came to 35.5% (Italy 37.5%, Germany 33.6%), speeding up in 4Q to 36.9% (38.3% in 2021). Excluding PPA (c.€4.6mn) and one-offs (€2.4mn), adj. EBIT was €23.2mn (20% margin), leading to adj. net profit of c.€12.5mn (reported €7.3mn). With minor swings in working capital, the €22.3mn cash flow from operations was entirely absorbed by CapEx (€28mn vs. €32mn expected). Considering a €21mn M&A cash-out (of which €18mn for LANSOL, €2.8mn for ERPTech), dividends (€8.4mn), and share buybacks (€7.6mn), net debt closed at €183mn, above YE21 (€141mn), or €145mn ex-IFRS 16 (€10mn) and including treasury shares (€28mn), which implies 3.4x adj. EBITDA.

■ **Positive tone from call.** Strong order backlog as at 1 January 2023 at €144mn (1.1x expected 2023 sales of €133mn), excluding Global Access acquired in January and including recent big contracts (e.g. Infocert, De Cecco). Average contract duration is 4–5 years, backlog does not include renewals (€7mn related to one contract in FY23). Current trading: based on mid-March visibility, the 1Q pipeline is very strong, aided by new contracts signed in 4Q. Client onboarding: 4Q benefitted from advance payments for the activation of new services (c.€1mn boost on sales), to be followed by standard monthly fees paid from 2023. 2023 CapEx: €4mn CapEx shift from 2022 to 2023 (leading to c.€25mn CapEx). Tax rate: 29% in FY22 is the result of Germany at 30%, Italy at 12% (hyper depreciation and tax benefits), with higher contribution from Germany. Energy price inflection in Germany is helping a lot, reducing pressure from clients for contract renewals. M&A: preference to consolidate small-mid-sized targets (EV of €5-10mn), given lower risk of integration (faster extraction of cost synergies) and current interest rate environment.

■ **Updated estimates:** we are tweaking the top line/EBITDA (now €133/€50mn), with major changes on the bottom line due to higher P&L financial charges (+€1mn to €5.5-5.6mn to reflect amortised costs on the bond issued in Oct 2021), and a higher P&L tax rate (from 24-25% to 27%) leading to -8%/-4% EPS cut in FY23-24, but with no meaningful impact on FCF.

■ **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	0.502	0.689	0.863	0.948
DPS (Eu)	0.300	0.300	0.318	0.405	0.445
EV/EBITDA Adj	25.5	18.9	14.8	12.8	11.8
EV/EBIT Adj	nm	34.4	24.8	19.8	17.8
P/E Adj	60.5	44.8	31.4	24.7	22.5
Div. Yield	1.5%	1.5%	1.6%	2.0%	2.2%
Net Debt/EBITDA Adj	4.8	4.3	3.6	2.9	2.5