

WIIT

Sector: Industrials

OUTPERFORM

Price: Eu16.06 - Target: Eu25.00

EPS Set to Double in 3 Years: Pipeline Growth and M&A Boost

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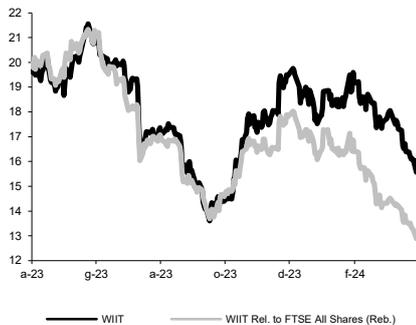
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 24.00 to 25.00		
	2024E	2025E	2026E
Chg in Adj EPS	-3.9%	8.1%	16.5%

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	-8.9%	-10.1%	-18.1%
Relative	-8.7%	-23.4%	-40.0%
12M (H/L)	21.55/13.60		
3M Average Volume (th):	25.43		

Shareholder Data

No. of Ord shares (mn):	28
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	450
Total Mkt Cap (Eu mn):	450
Mkt Float - Ord (Eu mn):	165
Mkt Float (in %):	36.7%
Main Shareholder:	
WIIT Fin Srl	56.5%

Balance Sheet Data

Book Value (Eu mn):	37
BVPS (Eu):	1.32
P/BV:	12.2
Net Financial Position (Eu mn):	-203
Enterprise Value (Eu mn):	653

- 1Q24 preview.** The company will release 1Q results on 9 May. We expect sales to have risen 5% YoY to €33.5mn, with Italy at €15.1mn (up 4%) and Germany €18.4mn (up 6%), not yet benefitting from the Edge&Cloud acquisition (consolidated as of 2Q). Moving to profitability, we expect adj. EBITDA to have reached €13.0mn (up 8.5% YoY), a 38.9% margin (up 1.2pp YoY). Within the mix, Italy (€6.7mn) should have continued to enjoy an outstanding margin (45%), with QoQ improvements in Germany (€6.3mn, 34.6% margin). Adj. EBIT should have come to €7.0mn, with adj. net profit of €3.7mn. Net debt should have risen slightly to €210mn (€169mn ex-IFRS16 and treasury shares) reflecting a €6mn cashout for M&A and CapEx of €8mn.
- Acquisition of Econis AG in Switzerland.** In late March WIIT announced the acquisition of 100% of Econis AG for c.€1.8mn (CHF0.77mn paid at closing + €1mn of transaction costs). The multiple paid (0.9x EV/EBITDA pre synergies) is not meaningful, as the asset is a turnaround story, with attractive value creation prospects thanks to possible integration with the German division, WIIT AG. Management aims to achieve c.€6-7mn of synergies after an estimated 18/24-month integration period. Despite the margin dilution, especially in 2024, we view this operation as strategically sound as it opens up growth opportunities in Switzerland, and in an appealing reference sector (finance). Furthermore, it provides financial accretion, with minimal expenses (including leases and integration CapEx) in return for generating €3mn in FCF within 2-3 years.
- Change in estimates.** We are including the acquisition of Econis in our estimates as of 2Q24, with the first full year of integration in 2025 and the first full year of synergies in 2026. Compared to our previous estimates, we are lifting the top line by 9%/14%/14% for FY24/25/26 respectively. Although adj. EBITDA remains largely unchanged in FY24 at €56mn, we are raising it by 6% in FY25 (to €66mn) and 10% in FY26 (to €74mn), leading to changes of -4%/+8%/+17% to adj. EPS for FY24/FY25/26. Leverage (ex-IFRS16 and treasury shares) is expected to narrow from 2.9x in FY24 to a healthy 1.7x in FY26, when the company will have to refinance its €150mn bond.
- OUTPERFORM confirmed, new TP at €25 (from €24).** On our revised estimates, adj. EPS is expected to more than double over the next 3 years. We are raising our DCF-based target price to €25 (from €24), or 13x EV/EBITDA'25 (broadly in line with the historical average, the stock is currently trading at c.10x). The stock 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 while 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	162	180	192
EBITDA Adj (Eu mn)	42	51	56	66	74
Net Profit Adj (Eu mn)	13	15	17	25	31
EPS New Adj (Eu)	0.446	0.538	0.608	0.882	1.112
EPS Old Adj (Eu)	0.446	0.538	0.632	0.816	0.955
DPS (Eu)	0.300	0.300	0.304	0.441	0.556
EV/EBITDA Adj	18.9	14.3	11.6	9.7	8.3
EV/EBIT Adj	34.3	25.9	21.0	16.3	13.1
P/E Adj	36.0	29.9	26.4	18.2	14.4
Div. Yield	1.9%	1.9%	1.9%	2.7%	3.5%
Net Debt/EBITDA Adj	4.3	4.0	3.6	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)

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Frequency of research: quarterly.

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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:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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