

WIIT

Sector: Industrials

OUTPERFORM

Price: Eu14.40 - Target: Eu24.00

3Q/9M Preview: Margin Boost from Higher Quality Sales

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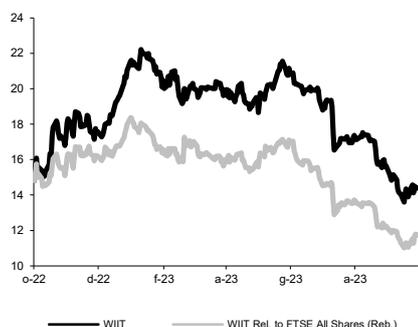
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 27.00 to 24.00		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

3Q23 Results out 13 November

WIIT - 12M Performance



Stock Data

Reuters code:	WIIT.MI		
Bloomberg code:	WIIT IM		
Performance	1M	3M	12M
Absolute	-7.9%	-25.7%	0.2%
Relative	-4.2%	-20.7%	-24.9%
12M (H/L)	22.22/13.60		
3M Average Volume (th):	44.51		

Shareholder Data

No. of Ord shares (mn):	28
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	403
Total Mkt Cap (Eu mn):	403
Mkt Float - Ord (Eu mn):	167
Mkt Float (in %):	41.4%
Main Shareholder:	
WIIT Fin Srl	52.8%

Balance Sheet Data

Book Value (Eu mn):	31
BVPS (Eu):	1.09
P/BV:	13.2
Net Financial Position (Eu mn):	-195
Enterprise Value (Eu mn):	598

■ **3Q/9M results.** We expect low single-digit top line growth (+2.8%) in 3Q, comprising 7-8% organic growth (recurring sales, contract extension and new contracts in pipeline) and 3-4pp from M&A (Global Access acquired in January 2023) partially offset by the phase-out of low-margin activities (c.€2mn impact, 6pp) such as the HW/SW resale. This brings our 9M top line forecast to c.€96.1mn (Italy €43.6mn, Germany €52.5mn) up 14% YoY and well on track to beat our FY estimate of €133mn. On profitability, we assume 3Q adj. EBITDA at €12.4mn (margin 38.9%, +6.5pp YoY), €36.8mn in 9M (margin 38.3%, +3.3pp YoY), benefitting from a higher portion of recurring revenues and synergies stemming from ERP Tech in Italy. This growth should primarily be attributed to higher profitability in Italy (44% in 9M, 43% in 1H), while Germany is expected to maintain a stable margin in the 33-34% range, as was the case in 2Q. 9M OpFCF should be in the €29mn area, completely absorbed by an €8mn cash-out for M&A, €7.8mn for dividends and a €8.9mn buyback, driving net debt up to €199.2mn (in line with 1H), or €164mn ex-IFRS 16 impact (€12mn) and including treasury shares (€27mn), with a leverage ratio of 3x adj. EBITDA'23E.

■ **No change in estimates. FY outlook to be reiterated.** We are sticking to our FY estimates for sales of €133mn and adj. EBITDA of €50mn. Management is confident of maintaining a 44-45% margin in Italy (c.8-10% organic sales growth), thanks to full exploitation of ERPTech integration synergies, and also of recovering 2-3pp in Germany (lower energy costs), with margins rising to the 35-36% area (c.7% sales growth; ambition to reach 8-10% in the coming quarters thanks to new contracts and marketing efforts).

■ **OUTPERFORM confirmed; target now €24 (from €27).** We are updating our DCF model to factor an increase in risk-free rates (from 4.0% to 4.5%) into our WACC calculation (now 7.2% before 2026 - i.e. the refinancing year - 8.2% beyond 2026) prompting us to reduce our DCF-based target price to €24 (from €27), which implies 15x EV/EBITDA'24 (broadly in line with the historical average, the stock is currently trading at c.10x) 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	15	20	22
EPS New Adj (Eu)	0.331	0.446	0.547	0.725	0.802
EPS Old Adj (Eu)	0.331	0.446	0.547	0.725	0.802
DPS (Eu)	0.300	0.300	0.274	0.362	0.401
EV/EBITDA Adj	25.5	18.9	12.0	10.2	9.4
EV/EBIT Adj	nm	34.4	21.4	16.7	14.9
P/E Adj	43.5	32.3	26.3	19.9	18.0
Div. Yield	2.1%	2.1%	1.9%	2.5%	2.8%
Net Debt/EBITDA Adj	4.8	4.3	3.9	3.1	2.7