

WIIT

Sector: Industrials

OUTPERFORM

Price: Eu15.35 - Target: Eu23.00

Solid Momentum to Be Confirmed in 3Q Results

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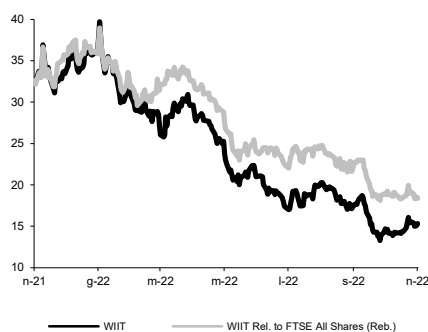
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 32.00 to 23.00		
	2022E	2023E	2024E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

9M22 Results out 10 November 2022

WIIT - 12M Performance



Stock Data

Reuters code:	WIIT.MI		
Bloomberg code:	WIIT IM		
	1M	3M	12M
Performance			
Absolute	4.4%	-24.4%	-52.9%
Relative	-2.5%	-25.9%	-36.3%
12M (H/L)	39.70/13.27		
3M Average Volume (th):	45.37		

Shareholder Data

No. of Ord shares (mn):	27
Total no. of shares (mn):	28
Mkt Cap Ord (Eu mn):	407
Total Mkt Cap (Eu mn):	407
Mkt Float - Ord (Eu mn):	169
Mkt Float (in %):	41.4%
Main Shareholder:	
WIIT Fin Srl	52.8%

Balance Sheet Data

Book Value (Eu mn):	43
BVPS (Eu):	1.52
P/BV:	10.1
Net Financial Position (Eu mn):	-186
Enterprise Value (Eu mn):	616

■ **3Q preview.** We expect a solid top-line trend (€28.7mn, +61% YoY) driven by mid-to-high teen growth in Italy (3Q: +15% YoY, 2Q: +19%) and strong accretion from Germany (€14.3mn, c. 50% of revenues) as a consequence of high single-digit organic growth at Myloc (c. 7%) and the M&A boost from R42, to be further supplemented in 4Q by consolidation of LANSOL. Adj. EBITDA should have come to €9.6mn in 3Q, with a 33% margin (c.35% in 9M), reflecting the dilutive impact of recent acquisitions, partially offset by a greater focus on cloud services, the phasing-out of low-margin business, and the higher electricity costs in Germany (in 1H22, electricity costs were €4.1mn, >2x the €2mn in 1H21 and almost entirely attributable to Germany). Excluding PPA (c. €1mn), adj. EBIT should have been €4.7mn in 3Q (16% margin), leading to adj. net profit of c.€2.6mn (reported €1.7mn). With no major swings in working capital, we assume €26.6mn cash flow from operations almost entirely absorbed by higher CapEx (€24mn). Considering a €27.5mn M&A cash-out (of which €18mn for LANSOL, €4mn for ERPTech, €5.6mn for deferred payment for minorities and earnouts), dividends (€8.1mn), and share buybacks (€4.9mn), net debt should have closed around €180mn, above YE21 (€141mn).

■ **Positive hints from recent CEO interview: M&A in sight?** On 9 October, in an interview for *Il Sole24Ore*, CEO Cozzi expressed absolute confidence in achieving FY22 consensus estimates: turnover expected at €113-114mn and adj. EBITDA at €41-42mn (of which c. €20mn in Germany), with an average margin of 35.5% (FY21: 38.3%). CapEx expected at €31mn in 2022, while it should come back in line with historical levels in 2023 (€20-22mn). **Geographical mix:** in the medium term, the split is foreseen at 25-30% Italy and 70-75% abroad. **M&A in sight:** objective of further consolidating presence and gaining market share in Germany. Potential targets appear to be SMEs with €5-15mn turnover and good profitability; no appetite for turnarounds, a preference for companies with proprietary datacentres and attractive client portfolios

■ **No change in estimates.** Hints by the CEO enhance visibility on our / current consensus estimates. For FY22, we expect turnover at €115.0mn (consensus €116.0mn) and adj. EBITDA to reach €41.8mn (cons. Eu41.3mn); our adj. EBITDA estimate is in line with the indication reported in the article (€41-42mn range).

■ **OUTPERFORM confirmed; new TP at €23 (from €32) due to higher WACC.** Applying a differential step-up in WACC over time from 6.7% (previously 6.2%, risk-free rate raised from 3% to 4%) to 7.7% beyond 2026 (along with repayment of the €150mn bond, we would assume cost of debt up to 5.5% from the current fixed coupon at 2.375%), we reduce our DCF-based TP to €23, which implies 19x EV/EBITDA'23 (in line with historical average) and offers a very compelling entry point, prompting us to reiterate our positive view on the stock. 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	2020A	2021A	2022E	2023E	2024E
Sales (Eu mn)	53	77	115	129	139
EBITDA Adj (Eu mn)	18	30	42	49	55
Net Profit Adj (Eu mn)	6	9	14	19	24
EPS New Adj (Eu)	0.230	0.331	0.502	0.690	0.842
EPS Old Adj (Eu)	0.230	0.331	0.502	0.690	0.842
DPS (Eu)	0.105	0.300	0.251	0.345	0.421
EV/EBITDA Adj	23.3	25.5	14.7	12.3	10.8
EV/EBIT Adj	nm	nm	28.2	20.8	17.0
P/E Adj	66.9	46.4	30.6	22.2	18.2
Div. Yield	0.7%	2.0%	1.6%	2.2%	2.7%
Net Debt/EBITDA Adj	5.2	4.8	4.4	3.6	2.9

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 2.5% and a risk premium of 5.0% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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 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:	22.13 %
OUTPERFORM:	48.36 %
NEUTRAL:	27.87 %
UNDERPERFORM	01.64 %
SELL:	00.00 %

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OUTPERFORM:	50.00 %
NEUTRAL:	11.54 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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