

WIIT

Sector: Industrials

OUTPERFORM

Price: Eu19.20 - Target: Eu27.00

Solid Margin Delivery Improves Visibility on our FY Estimates

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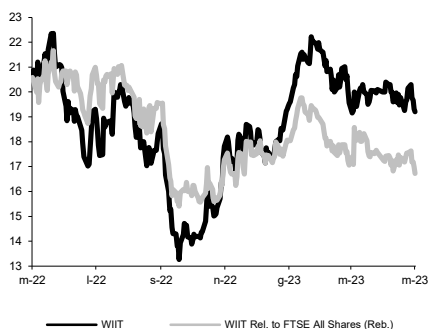
Stock Rating

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 ERP Tech) 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 at 37.8% (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

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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 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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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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:	20.83 %
OUTPERFORM:	51.67 %
NEUTRAL:	25.83 %
UNDERPERFORM	01.67 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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