

DHH

Sector: Industrials

BUY

Price: Eu24.20 - Target: Eu32.00

A Strong Release on Margin and Cash Conversion

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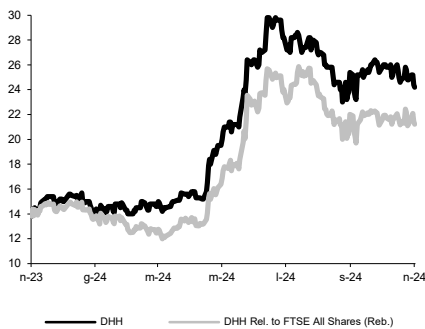
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.4%	-0.4%	-0.2%

Next Event

FY24 Results Out late March 2025

DHH - 12M Performance



Stock Data

Reuters code:	DHH.MI		
Bloomberg code:	DHH IM		
Performance	1M	3M	12M
Absolute	-6.2%	-9.7%	75.4%
Relative	-1.7%	-9.6%	61.4%
12M (H/L)	29.80/13.70		
3M Average Volume (th):	1.14		

Shareholder Data

No. of Ord shares (mn):	5
Total no. of shares (mn):	5
Mkt Cap Ord (Eu mn):	118
Total Mkt Cap (Eu mn):	118
Mkt Float - Ord (Eu mn):	27
Mkt Float (in %):	23.0%
Main Shareholder:	
Antonio D. Baldassarra	33.6%

Balance Sheet Data

Book Value (Eu mn):	28
BVPS (Eu):	5.94
P/BV:	4.1
Net Financial Position (Eu mn):	-1
Enterprise Value (Eu mn):	119

- 9M24 results.** 9M results met expectations at the EBITDA level, with an 8% positive surprise on the bottom line. Net revenues (€26.8mn, +7% YoY, 1H: +9%) were 2% below estimates, primarily due to flat Datacentre & Networking revenues on lower energy prices passed through to customers, with no impact on margins. Consequently, the adj. EBITDA margin came in higher at 33% (vs. 32% expected, 1H: 33%), offsetting top-line softness. OpEx reflected efficient management, with key increases in raw materials (€2.0mn, +€0.6mn YoY) and wholesale services (€3.5mn, +€0.2mn YoY) driven by higher sales and HW acquisitions. Datacentre costs decreased (€2.1mn, -€0.1mn YoY) due to lower energy prices, while professional services (€2.4mn, -€0.7mn YoY) dropped mainly because of the lack of stock option plans (€1.1mn in FY23). Personnel costs (€5.1mn, 19% of sales) remained under control (+€0.3mn YoY), showcasing the scalability of the business model. The icing on the cake was stronger FCFO (€7.7mn vs €6.1mn exp.), leading to lower net debt (9M: €2.9mn vs. our exp. €3.1mn), a sharp improvement from YE23 (€6.5mn).
- Trends by segment.** Business Connectivity was up 10% (1H: +9%), supported by market expansion and advanced connectivity solutions. Cloud Hosting grew by 8% (1H: +7%) while Cloud Computing by 6% (1H: +9%), both benefiting from rising demand for scalable infrastructure. The Datacentre & Networking segment remained stable, with minimal growth (9M: +1%) due to energy price fluctuations. Managed Services saw an 8% decline, while the Other category increased by 36%, reflecting non-recurring and opportunistic sales. The company also emphasized strong growth in its AI-focused infrastructure solutions, particularly GPU and NPU offerings, as a key driver of organic growth, though specific figures were not disclosed due to being competition-sensitive.
- Trends by geography.** Top-line growth was observed across all markets, with Italy (9M: +8%, 1H: +10%), Slovenia (9M: +9%, 1H: +8%), Croatia (9M: +10%, 1H: +11%), and Switzerland (9M: +11%, 1H: +11%) delivering strong performances. Bulgaria showed a sequential improvement (9M: +1%, 1H: flat) driven by Evolink's return to growth after a period of underperformance.
- Change in estimates.** FY24 top line trimmed by ~1% to reflect lower pass-through energy components, with no impact on margin. We now expect FY24 growth at 7% (prev. +8%), implying a 7.6% increase in 4Q. No meaningful change to EPS.
- BUY confirmed, TP still €32.** Despite some top-line softness due to pass-through energy prices, 9M results confirmed the strength of DHH's robust and scalable business model, with 94% of revenues being recurring, ensuring high visibility on FCFO (c. 88% conversion rate). Furthermore, we welcome management's hints that DHH is actively pursuing M&A opportunities in domestic and Mediterranean markets, aiming to expand its cloud computing presence in new regions and enter complementary market segments. Indeed, M&A activity could bring additional upside to our estimates and our DCF-based TP of €32/share (unchanged). At our TP, the stock would trade at 13.5x EV/EBITDA'24E (10x at current prices), at a discount to larger listed peers and recent private deals (c. 15-19x EV/EBITDA).

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	34	36	39	43	47
EBITDA Adj (Eu mn)	12	12	13	15	16
Net Profit Adj (Eu mn)	3	4	5	5	6
EPS New Adj (Eu)	0.678	0.787	0.902	1.073	1.258
EPS Old Adj (Eu)	0.678	0.784	0.906	1.075	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	7.1	9.8	9.0	7.6	6.5
EV/EBIT Adj	13.6	17.7	15.5	12.3	10.0
P/E Adj	35.7	30.7	26.8	22.6	19.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	0.6	0.1	-0.3	-0.7	-1.0

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- 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.

Reports on all companies listed on the S&P500 Index, most of those on the MIB30 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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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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