

QUARTERLY PREVIEW

INTERMONTE

WIIT

RATING: BUY
PRICE (Eu): 47.30
TARGET price (Eu): 65.00

SECTOR: Industrials

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IPO promise delivered; expecting indications on integration potential

Results out: 13th of September

Expected Newsflow from Results: neutral

Our Estimates vs. Consensus: n.a.

- **1H18 results to be announced 13th of September.** After reporting 1Q18 sales of Eu5.2mn with organic growth at 10%, we expect 2Q18 revenue to have accelerated organically to +24%, with encouragement from the easier comparison base. This would bring 1H18 sales to Eu10.8mn or 17% higher than last year. Thanks to the scalable business model and favoured by the early adoption of the IFRS16, we forecast a 100bp uptick in the 1H18 adj. EBITDA margin to 43% (42% in 1Q, 44% in 2Q) for EBITDA of Eu4.6mn. Adj. EBIT should have reached Eu2.4mn, flat YoY due to higher D&A given the significant investment of last year and early adoption of the IFRS16. At bottom line, we expect 1H18 net profit at Eu1.7mn, assuming a 21% tax rate in line with FY expectations.
- **Indications expected on the Adelante acquisition.** On 28th June, WIIT announced it had acquired Adelante, an Italian cloud computing provider with 2017 revenue/EBITDA/net profit of Eu7/0.9/0.4mn respectively. Considering that the multiple paid was less than 6x 2018 EBITDA (without an earn-out and with EBITDA expected to reach Eu1.1mn), and that the Adelante CEO will be involved in the integration (Mr Baroncelli will join WIIT group with responsibility for M&A and internationalisation), we see the deal as good news. During the 1H18 results presentation, we expect management to shed light on the revenue/earnings potential envisaged from the integration with Adelante as the combination should allow for the creation of meaningful competitive synergies.
- **IPO promise delivered, BUY confirmed.** One year after its June 2017 IPO, WIIT has finally delivered on its IPO promise thanks to the acquisition of Adelante. We see the deal as very worthwhile both strategically and financially, and we expect management to provide indications on the revenue/earnings potential from the combination. Nevertheless, we expect M&A to remain a trigger for the stock as the company is still eyeing foreign deals in order to speed up internationalisation, a task that will now be one of the Adelante CEO's responsibilities. The stock trades at 10.5x/8.1x the 2018/19 EV/EBITDA. After the release of the 1H18 results, we are going to revisit our model to factor in the contribution from Adelante and management indication for the organic development of 2H as our estimate currently implies an acceleration vs 1H growth.

Key Figures	2016A	2017A	2018E	2019E	2020E
Sales (Eu mn)	15	20	24	29	34
EBITDA (Eu mn)	4	8	11	14	17
Net profit (Eu mn)	1	3	5	6	7
EPS Restated (Eu)	0.51	1.32	1.89	2.38	2.68
DPS (Eu)	0.43	0.83	1.13	1.43	1.61
Ratios & Multiples	2016A	2017A	2018E	2019E	2020E
P/E	92.5	36.0	25.0	19.9	17.6
Div. Yield	0.9%	1.8%	2.4%	3.0%	3.4%
EV/Ebitda	27.7	13.4	10.1	7.8	6.3
EV/Sales	8.5	5.8	4.7	3.8	3.2
ROCE	14.7%	27.7%	37.0%	43.8%	50.7%

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KEY FIGURES

REUTERS Code: WIIT.MI
 BLOOMBERG Code: WIIT IM

Performance	1m	3m	12m
Absolute	-6.2%	0.4%	-14.2%
Relative	-0.6%	6.0%	-10.1%
12 months H/L:	60.00/45.80		

SHAREHOLDER DATA

N. of Ord. shares (mn):	3
Tot.N. of shares (mn):	3
Mkt Cap Ord (Eu mn):	121
Mkt Cap. Total (Eu mn):	121
Mkt Float (as % of Ord.Cap):	26.4%
Main shareholder:	
<i>WIIT Fin Srl</i>	62.7%

BALANCE SHEET DATA 2018

Book value (Eu mn):	27
BVPS (Eu):	10.58
P/BV:	4.5
Net Financial Position (Eu mn):	9
Enterprise value (Eu mn):	112

Quarterly income statement

	1Q17A	2Q17A	1H17A	2H17A	2017A	1Q18A	2Q18E	1H18E	2H18E	2018E
Revenue	4.7	4.5	9.2	10.3	19.6	5.2	5.6	10.8	13.0	23.8
YoY growth	34.1%	12.3%	22.5%	32.3%	27.5%	10.0%	24.4%	17.0%	25.6%	21.6%
Organic	34.1%	12.3%	22.5%	32.3%	27.5%	10.0%	24.4%	17.0%	25.6%	21.6%
Scope	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA Adj.	2.0	1.9	3.9	4.6	8.5	2.2	2.5	4.6	6.4	11.1
YoY growth	73.9%	43.7%	58.0%	104.3%	80.1%	8.2%	32.7%	19.9%	40.2%	30.9%
EBITDA Adj. margin %	42.6%	41.3%	42.0%	44.5%	43.3%	41.9%	44.1%	43.0%	49.6%	46.6%
EBIT Adj.	1.2	1.3	2.4	2.6	5.4	1.0	1.5	2.4	4.3	6.7
YoY growth	80.7%	71.2%	75.6%	156.9%	125.0%	-15.7%	14.2%	-0.1%	65.6%	24.5%
EBIT Adj. margin %	24.7%	28.4%	26.5%	25.1%	27.6%	18.9%	26.1%	22.6%	33.0%	28.3%
EBIT	1.2	0.7	1.9	2.3	4.2	0.9	1.5	2.3	4.2	6.5
YoY growth	80.7%	-8.1%	33.2%	450.5%	130.5%	-24.3%	112.8%	26.3%	79.5%	56.0%
EBIT margin %	24.7%	15.3%	20.1%	22.6%	21.4%	17.0%	26.1%	21.7%	32.3%	27.5%
Net income/(loss)	0.8	0.5	1.3	1.8	3.1	0.7	1.0	1.7	3.2	4.8
YoY growth					244.7%	-17.6%	108.7%	30.7%	71.2%	54.5%
Net profit margin %	16.9%	0.0%	14.1%	17.8%	16.0%	12.6%	18.6%	15.7%	24.3%	20.4%

Source: Intermonte SIM (E), company data

DETAILS ON STOCK RECOMMENDATION

Stock NAME	WIIT		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	65.00	Previous Target (Eu):	65.00
Current Price (Eu):	47.30	Previous Price (Eu):	50.00
Date of report:	10/09/2018	Date of last report:	09/04/2018

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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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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:	14,10 %
OUTPERFORM:	41,67 %
NEUTRAL:	39,10 %
UNDERPERFORM:	05,13 %
SELL:	00,00 %

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BUY:	15,69 %
OUTPERFORM:	58,82 %
NEUTRAL:	25,49 %
UNDERPERFORM:	00,00 %
SELL:	00,00 %

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Emitente	%	Long/Short
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OLIDATA	0,88	SHORT
WASTE ITALIA	0,61	SHORT

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