

PUBLICATIONS

13 November 2019

WIIT

9M2019 Earnings (+)

(Company press release)

Still Solid !

WIIT released good quality 9M 2019 earnings yesterday afternoon during trading, exceeding our expectations.

Over 9M2019, sales reached €23.7m (+37.7% YoY including +9.5% organic) while the adjusted NI showed a strong increase (+87.7% YoY), reaching €5.3m thanks also to the Patent Box's positive effect.

More specifically, in Q3 2019 alone, sales amounted to €8.9m (+36.6% YoY of which +8.7% is organic) versus €8.7m expected, due to inter alia (i) strong market dynamics, (ii) improved visibility of WIIT's offer, (iii) the group's upsell and x-sell strategy on existing customers, and (iv) the contribution of M&A (c. €1.8m). Adjusted EBITDA amounted to €3.7m (versus €3.5m expected; or +23.6% YoY corresponding to a margin of 41.2% or -436bps YoY due to the integration of M&A far less margined than WIIT in standalone), highlighting the implementation of cost efficiencies resulting from the group's operational optimization, also insofar as over 9M2019, growth in Adj. EBITDA (excluding M&A) is in line with organic growth (c.10%) and that WIIT's standalone organic margin is @44.2%. WIIT will also be able to implement more cost efficiencies thanks to its scalable platform composed mainly of fixed costs that can still be optimized (i.e. personnel, connection, rents). NI amounted to €1.6m (+26.3% YoY or 18.7% margin), thanks in particular to the Patent Box.

Adj. ND (excluding IFRS 16) stabilised at €13.6m (versus €3.3m @Dec 2018) due to (i) the acquisition of Matika completed in July 2019 for c. €8.5m, (ii) the dividend payment of €2.3m, and (iii) the share buyback plan (1.4% of the capital for €2.1m); leading to an LTM leverage ratio of 1.1x, under control thanks to the strong OCF generation as well as the control of CapEx.

We reiterate our opinion to Buy, and increase our target price to €89/share (versus €79) following the update of our FM after applying a 25% discount on trading multiple. WIIT still suffers from a significant discount versus the sector, despite the fact that it is a best-in-class.

Buy, TP of €89.0 (vs. €79) – Pierre Buon : +33 1 53 45 10 77

Market Data

Industry	Services Cloud
Share Price (€)	76,8
Market Cap (€M)	203,7
Bloomberg	WIIT IM
Market Segment	STAR Italia

Ownership structure

Fonunders & Mgmt	62,2%
Free float	34,0%
Treasury shares	3,9%

€M (31/12)	2018a	2019e	2020e	2021e
Sales (€M)	25,2	33,0	41,1	44,8
Growth	29,1%	30,8%	24,6%	9,0%
EBIT	4,9	6,7	8,9	11,2
Marge	19,3%	20,2%	21,6%	25,0%
Net income	3,5	6,1	7,1	9,2
EPS (€)	1,35	2,30	2,67	3,46
EPS growth	7,9%	70,5%	16,0%	29,6%
Dividend	0,90	1,43	1,66	2,16
Yield (%)	1,2%	1,9%	2,2%	2,8%
FCF	1,9	2,2	8,3	9,6
ROCE	13,6%	16,4%	18,4%	21,6%
EV/Sales (x)		6,7	5,3	4,8
EV/EBIT (x)		33,0	24,5	19,0
PE (x)		33,4	28,8	22,2
Net Debt	4,4	11,7	9,6	6,8
Gearing	20%	52%	37%	22%

Upcoming event : FY2019 Results - N.d.

Top Peers (Ccy)	Market Cap (M)	EV/Sales 2019	EV/Sales 2020	EV/EBIT 2019	EV/EBIT 2020
Interxion Holding N.V.	5 639	11,1	10,1	56,8	50,4
Holdings Ltd. Sponsored ADR C	5 367	12,8	9,7	92,8	54,5
Nextdc Limited	1 414	15,1	14,7	78,5	78,8

Source: FACTSET