

WEBSOLUTE	<i>Italy</i>	<i>FTSE AIM Italia</i>	<i>Digital Company</i>
Rating: BUY (unch.)	Target Price: € 5,00 (prev. 2,50)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	10,19%	40,00%	83,08%	69,78%
to FTSE AIM Italia	9,99%	26,94%	50,57%	1,03%
to FTSE STAR Italia	7,92%	28,62%	54,07%	8,47%
to FTSE All-Share	10,36%	37,62%	74,76%	32,02%
to EUROSTOXX	10,65%	39,12%	74,57%	38,17%
to MSCI World Index	10,68%	36,91%	70,82%	34,74%

Stock Data

Price	€ 2,38
Target price	€ 5,00
Upside/(Downside) potential	110,1%
Bloomberg Code	WEB IM EQUITY
Market Cap (€m)	€ 22,64
EV (€m)	€ 25,72
Free Float	23,01%
Share Outstanding	9.513.843
52-week high	€ 2,38
52-week low	€ 1,15
Average daily volumes (3m)	28.150

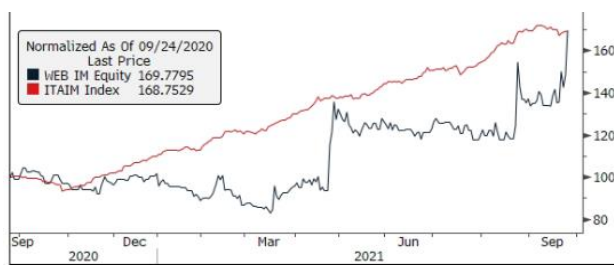
Key Financials (€m)	FY19A	FY20A	FY21E	FY22E
Sales	12,8	13,3	19,0	22,0
EBITDA	2,1	1,4	3,2	4,5
EBIT	0,9	0,5	1,5	2,7
Net Profit	0,5	0,3	1,0	1,6
EPS (€)	0,05	0,04	0,11	0,17
EBITDA margin	16,7%	10,7%	16,8%	20,5%
EBIT margin	6,9%	3,9%	7,9%	12,3%
Net Profit margin	3,9%	2,6%	5,3%	7,2%

Main Ratios	FY19A	FY20A	FY21E	FY22E
EV/EBITDA (x)	12,0	18,1	8,0	5,7
EV/EBIT (x)	29,2	49,2	17,1	9,5
P/E (x)	44,8	65,8	22,4	14,2

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Stocks performance relative to FTSE AIM Italia



1H21A Results

Revenues amounted to € 9.32 million, registering an increase of 56.3% compared to the values of the first half of 2020. All product lines had a significant increase in sales. EBITDA amounted to € 1.62 million, with a significant increase of 117.1% compared to the data of June 30, 2020. As a result, the EBITDA Margin increased from 12.5% to 17.4%. EBIT amounted to € 0.77 million, a net improvement compared to the data for the first half of the previous year (€ 0.12 million). The NFP amounted to € 2.69 million, an improvement compared to € 3.08 million as of December 31, 2020.

Estimates Update

In the light of the results published in the half-yearly report for 1H21A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate the 2021E revenues value equal to € 19.00 million and EBITDA equal to € 3.2 million, corresponding to a marginality of 16.8%. For subsequent years, we expect the value of the revenues to increase up to € 25.00 million (CAGR 20A-23E: 23.3%) in 2023E, with EBITDA of € 6.00 million (corresponding to an EBITDA margin of 24.0%), up from € 1.42 million in 2020A (corresponding to an EBITDA margin of 10.7%).

Valuation Update

We have conducted the valuation of Websolute equity value based on the DCF methodology and the multiples of a sample of comparable companies. The DCF method (which in the calculation of the WACC includes for prudential purposes also a specific risk of 2.5%) provides an equity value of € 51.5 million. The equity value of Websolute using the market multiples is equal to € 43.7 million. The result is an average equity value of approx. € 47.6 million. The target price is € 5.00 (prev. € 2.50), we confirm an unchanged BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mIn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Sales	12,34	12,82	13,34	19,00	22,00	25,00
Other Revenues	0,42	1,25	1,47	1,00	1,00	1,00
Value of Production	12,76	14,07	14,80	20,00	23,00	26,00
COGS	0,51	0,45	0,56	0,60	0,80	0,85
Use of Asset owned by Others	0,27	0,27	0,39	0,45	0,55	0,60
Services	5,29	5,34	5,41	6,85	7,20	7,65
Employees	4,83	5,71	6,83	8,65	9,65	10,55
Other Operating Expenses	0,20	0,17	0,20	0,25	0,30	0,35
EBITDA	1,67	2,14	1,42	3,20	4,50	6,00
<i>EBITDA Margin</i>	<i>13,5%</i>	<i>16,7%</i>	<i>10,7%</i>	<i>16,8%</i>	<i>20,5%</i>	<i>24,0%</i>
D&A	0,54	1,26	0,90	1,70	1,80	1,90
EBIT	1,13	0,88	0,52	1,50	2,70	4,10
<i>EBIT Margin</i>	<i>9,2%</i>	<i>6,9%</i>	<i>3,9%</i>	<i>7,9%</i>	<i>12,3%</i>	<i>16,4%</i>
Financial Management	(0,07)	(0,07)	(0,08)	(0,05)	(0,05)	(0,05)
EBT	1,06	0,81	0,45	1,45	2,65	4,05
Taxes	0,36	0,31	0,10	0,44	1,06	1,45
Net Income	0,69	0,51	0,34	1,01	1,59	2,60
Minorities Income	0,18	0,16	0,04	0,12	0,18	0,30
CONSOLIDATED BALANCE SHEET (€/mIn)	FY18A	FY19A	FY20A	FY21E	FY22E	FY23E
Fixed Asset	3,18	5,39	7,48	7,40	7,45	7,50
Accounts receivable	3,80	4,04	4,57	5,95	6,90	7,80
Inventories	0,03	0,08	0,09	0,10	0,10	0,10
Accounts payable	1,00	1,33	1,30	1,80	1,85	2,00
Operating Working Capital	2,83	2,79	3,36	4,25	5,15	5,90
Other Receivables	0,97	0,73	1,60	1,35	1,40	1,60
Other Payables	1,89	2,29	2,76	3,90	4,00	4,10
Net Working Capital	1,91	1,23	2,20	1,70	2,55	3,40
Severance Indemnities & Provision	1,28	1,46	1,78	2,30	2,50	2,70
NET INVESTED CAPITAL	3,80	5,16	7,90	6,80	7,50	8,20
Share Capital	0,13	0,17	0,19	0,19	0,19	0,19
Reserves and Retained Profits	0,27	3,26	3,45	3,76	4,65	6,06
Net Profit	0,52	0,35	0,30	0,89	1,41	2,30
Equity	0,91	3,78	3,95	4,84	6,25	8,55
Minorities Equity	0,35	0,50	0,87	0,99	1,17	1,47
Cash and Cash Equivalents	1,90	3,70	3,36	6,53	7,92	10,62
Short-Term Financial Debt	2,22	1,99	1,27	2,40	2,50	2,60
ML Term Financial Debt	2,23	2,58	5,17	5,10	5,50	6,20
Net Financial Position	2,55	0,88	3,08	0,97	0,08	(1,82)
TOTAL SOURCES	3,80	5,16	7,90	6,80	7,50	8,20
CONSOLIDATED CASH FLOW (€/mIn)	FY19A	FY20A	FY21E	FY22E	FY23E	
EBIT	0,88	0,52	1,50	2,70	4,10	
Taxes	0,31	0,10	0,44	1,06	1,45	
NOPAT	0,57	0,42	1,06	1,64	2,65	
D&A	1,26	0,90	1,70	1,80	1,90	
Change in receivables	(0,24)	(0,53)	(1,38)	(0,95)	(0,90)	
Change in inventories	(0,05)	(0,01)	(0,01)	0,00	0,00	
Change in payables	0,33	(0,03)	0,50	0,05	0,15	
Other Changes	0,64	(0,40)	1,39	0,05	(0,10)	
Change in NWC	0,68	(0,97)	0,50	(0,85)	(0,85)	
Change in Provisions	0,18	0,32	0,52	0,20	0,20	
OPERATING CASH FLOW	2,69	0,67	3,78	2,79	3,90	
Investments	(3,47)	(2,99)	(1,62)	(1,85)	(1,95)	
FREE CASH FLOW	(0,78)	(2,32)	2,16	0,94	1,95	
Financial Management	(0,07)	(0,08)	(0,05)	(0,05)	(0,05)	
Change in Payables to Banks	0,12	1,87	1,06	0,50	0,80	
Change in Equity	2,52	0,20	0,00	0,00	0,00	
FREE CASH FLOW TO EQUITY (FCFE)	1,79	(0,34)	3,17	1,39	2,70	

Source: Websolute and Integrae SIM estimates

1.1 1H21A Results

Table 2 – 1H21A vs 1H20A

€/mln	Sales	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H21A	9,32	1,62	17,4%	0,77	0,41	2,69
1H20A	5,97	0,75	12,5%	0,12	0,11	3,08*
<i>Change</i>	<i>56,3%</i>	<i>117,1%</i>	<i>4,9%</i>	<i>526,3%</i>	<i>285,7%</i>	<i>N.A</i>

Source: Integrae SIM

*NFP as of 31/12/2020

Through a press release, the Company, commenting on the half-yearly results, states that: *"We are extremely satisfied with the results achieved in the first half of 2021, which recorded fundamentals in strong growth, with Value of Production of +47%, Sales and Performance Revenues of +56%, EBITDA of +117%. The Group started to produce the results of important investments carried out and efforts that we have made in recent years and has lived up to the Covid-19 pandemic challenge. We have always operated looking ahead to the future with confidence. The month of July 2021 highlighted record-breaking orders values. As of July 31, 2021, we register an order backlog of 64% up for the Parent Company and 30%-40% for the subsidiaries if compared to the same period of the 2020 fiscal year. We will therefore pursue our strategic path of strengthening the competencies and internal synergies within the Group, aspiring, also based on of the trend of the orders, to achieve brilliant results also in the second half of the year."*

Revenues amounted to € 9.32 million, registering an increase of 56.3% compared to the values of the first half of 2020. The strong growth of orders in the portfolio at the end of 2020 allowed the Company to start 2021 with great momentum. All product lines had a significant increase in sales and in particular: Digital Marketing +39%, Digital Platforms +34%, Social & Influencer Marketing +38%, Brand UX-UI-Customer Journey +47%, Mobile App +46%, E-Commerce Strategy & Management +31%, B2B Marketplace Services +243%, in addition to the growth of new W. Academy, More, and W-Mind benefit Companies' activities.

EBITDA is equal to € 1.62 million, with a significant increase of 117.1% compared to the data of June 30, 2020. As a result, the EBITDA Margin increased from 12.5% to 17.4%. This increase in marginality was made possible by the creation of innovative products and services in line with the new market needs as a result of the epidemiological emergency. It should also be noted that the improvement in the EBITDA margin is positively influenced by: important internal synergies of the Group, expansion of the range of products offered, exploitation of the opportunity to cross-selling, and a better competitive position on the market.

EBIT amounted to € 0.77 million, a net improvement compared to the data for the first half of the previous year (€ 0.12 million).

Net Income amounted to € 0.41 million, up compared to the result of June 30, 2020 (€ 0.11 million).

The NFP amounted to € 2.69 million, an improvement compared to € 3.08 million as of December 31, 2020.

1.2 FY21E – FY23E Estimates

Table 3 – Estimates Updates FY21E-23E

€/mln	FY21E	FY22E	FY23E
Sales			
New	19,0	22,0	25,0
Old	17,0	19,0	21,0
Change	11,8%	15,8%	19,0%
EBITDA			
New	3,2	4,5	6,0
Old	2,2	2,7	3,3
Change	48,8%	66,7%	81,8%
EBITDA %			
New	16,8%	20,5%	24,0%
Old	12,6%	14,2%	15,7%
Change	4,2%	6,2%	8,3%
EBIT			
New	1,5	2,7	4,1
Old	0,7	1,1	1,6
Change	130,8%	145,5%	156,3%
Net Income			
New	1,0	1,6	2,6
Old	0,5	0,8	1,2
Change	124,4%	98,7%	126,1%
NFP			
New	1,0	0,1	(1,8)
Old	2,2	1,3	0,1
Change	N.A	N.A	N/A

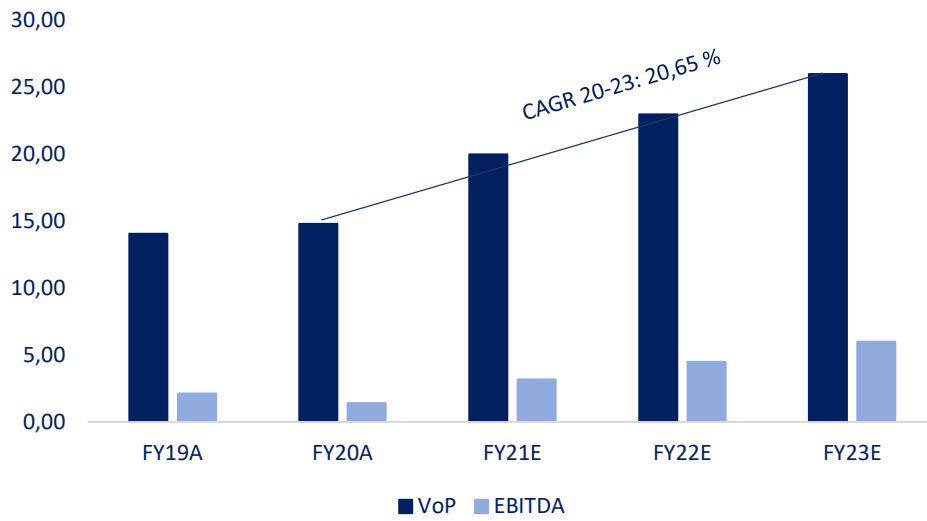
Source: Integrae SIM

In the light of the results published in the half-yearly report for 1H21A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate the 2021E revenues value equal to € 19.00 million and EBITDA equal to € 3.2 million, corresponding to a marginality of 16.8%. For subsequent years, we expect the value of the revenues to increase up to € 25.00 million (CAGR 20A-23E: 23.3%) in 2023E, with EBITDA of € 6.00 million (corresponding to an EBITDA margin of 24.0%), up from € 1.42 million in 2020A (corresponding to an EBITDA margin of 10.7%).

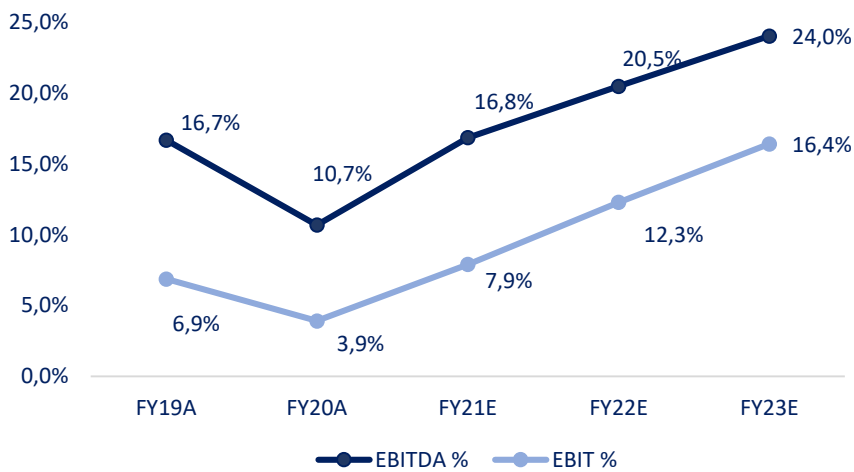
Regarding the Balance Sheet, we estimate a cash positive NFP level for 2023E equal to € 1.8 million.

Chart 1 – Value of Production and EBITDA FY19A-23E



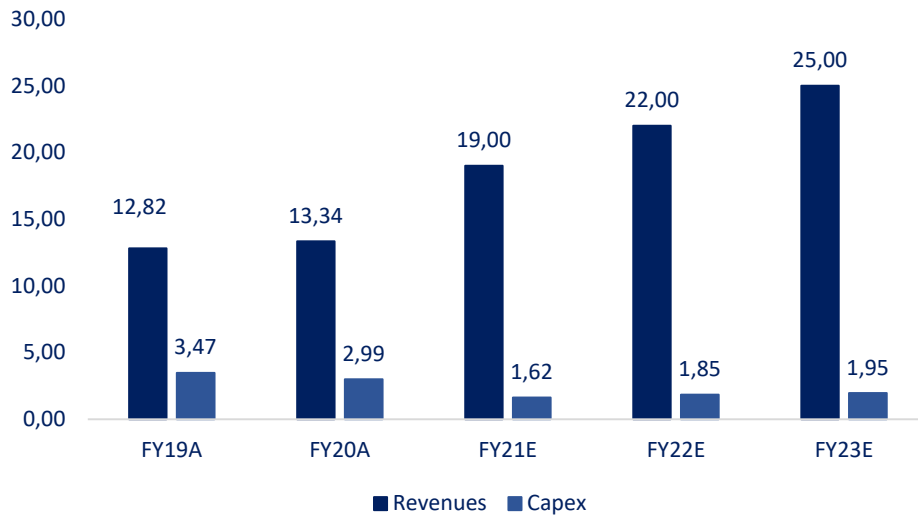
Source: Integrae SIM

Chart 2 – Margin FY19A-23E



Source: Integrae SIM

Chart 3 – Capex FY19A-23E



Source: Integrae SIM

Chart 4 – NFP FY19A-23E



Source: Integrae SIM

2. Valuation

We have conducted the valuation of Websolute equity value based on the DCF methodology and the multiples of a sample of comparable companies.

2.1 DCF Method

Table 4 – WACC

WACC		4,49%
Risk Free Rate	-0,19% α (specific risk)	2,50%
Market Premium	6,85% Beta Adjusted	0,75
D/E (average)	81,82% Beta Relevered	1,19
Ke	7,43% Kd	1,25%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 4.49%.

Table 5 – DCF Valuation

DCF Equity Value		51,5
FCFO actualized	5,4	10%
TV actualized DCF	49,2	90%
Enterprise Value	54,6	100%
NFP (FY20A)	3,1	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 51.5 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln	WACC				
	3,5%	4,0%	4,5%	5,0%	5,5%
2,5%	179,1	118,6	88,5	70,4	58,4
2,0%	119,9	89,4	71,2	59,0	50,4
1,5%	90,4	72,0	59,7	50,9	44,3
1,0%	72,8	60,3	51,5	44,8	39,7
0,5%	61,0	52,0	45,3	40,1	35,9
0,0%	52,6	45,8	40,5	36,3	32,8
-0,5%	46,3	41,0	36,7	33,2	30,3

Source: Integrae SIM

2.2 Market multiples

Our panel is made up of companies operating in the same sector as Websolute. These companies are the same as those used for the calculation of the Beta for the DCF method. The Panel is composed of:

Table 7 – Market Multiples

Company Name	EV/EBITDA (x)		
	2021E	2022E	2023E
Alkemy	11,9	11,2	9,7
Be Think, Solve, Execute	9,5	8,9	7,8
Triboo	3,3	2,6	N/A
Digital360	12,9	10,8	9,4
Neosperience	10,0	7,7	5,6
Relatech	11,5	10,3	7,1
Median	10,8	9,6	7,8

Source: Infinancials

We conducted the valuation using multiples resulting from the arithmetic average of the two panels:

- The first one is larger, containing all the above-mentioned companies;
- The second one containing only Alkemy and Relatech, companies very similar to Websolute for products and services offered, business models, and reference markets.

Table 8 – Market Multiples Valuation

€/mln	2021E	2022E	2023E
Enterprise Value (EV)			
EV/EBITDA	35,9	45,8	48,6
Equity Value			
EV/EBITDA	35,0	45,7	50,4
Average	35,0	45,7	50,4

Source: Integrae SIM

The equity value of Websolute using the market multiple EV/EBITDA, is equal to € 43.7 million.

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	47,6
Equity Value DCF (€/mln)	51,5
Equity Value multiples (€/mln)	43,7
Target Price (€)	5,00

Source: Integrae SIM

The result is an average equity value of € 47.6 million. **The target price is, therefore, € 5.00 (prev. €2.5). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY20A	FY21E	FY22E
EV/EBITDA	35,6x	15,8x	11,3x
EV/EBIT	96,9x	33,8x	18,8x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY20A	FY21E	FY22E
EV/EBITDA	18,1x	8,0x	5,7x
EV/EBIT	49,2x	17,1x	9,5x

Source: Integrae SIM

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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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