

WEBSOLUTE	Italy	Euronext Growth Milan	Digital Company
Rating: BUY (unch.)	Target Price: € 5,00 (prev. €5.25)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-19,11%	-23,21%	-32,59%	-53,81%
to FTSE Italia Growth	-16,31%	-21,93%	-17,39%	-35,89%
to Euronext STAR MILAN	-15,24%	-17,18%	-10,69%	-25,57%
to FTSE All-Share	-18,16%	-25,57%	-17,85%	-35,38%
to EUROSTOXX	-17,90%	-25,82%	-20,59%	-38,61%
to MSCI World Index	-15,84%	-21,55%	-14,96%	-37,08%

Stock Data

Price	€ 1,82
Target price	€ 5,00
Upside/(Downside) potential	174,8%
Bloomberg Code	WEB IM EQUITY
Market Cap (€m)	€ 17,66
EV (€m)	€ 20,07
Free Float	24,88%
Share Outstanding	9.704.217
52-week high	€ 4,02
52-week low	€ 1,72
Average daily volumes (3m)	3.000

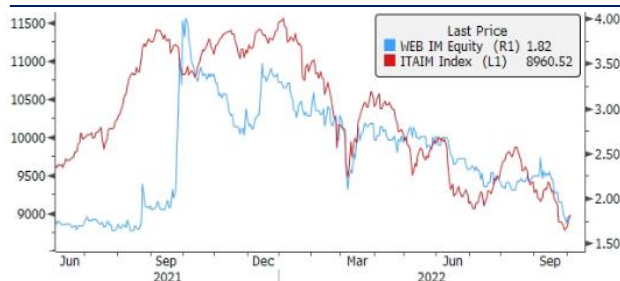
Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Sales	18,6	21,0	23,0	26,4
EBITDA	2,9	2,7	3,7	5,4
EBIT	1,0	0,7	1,6	3,2
Net Profit	0,5	0,3	0,8	1,7
EPS (€)	0,05	0,03	0,08	0,17
EBITDA margin	15,8%	12,9%	16,1%	20,5%
EBIT margin	5,2%	3,3%	6,7%	12,1%
Net Profit margin	2,5%	1,6%	3,5%	6,4%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	6,8	7,4	5,4	3,7
EV/EBIT (x)	20,7	28,7	12,9	6,3
P/E (x)	37,5	53,5	22,1	10,5

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Stocks performance vs FTSE Italia Growth



1H22A Results

At the end of the first half of 2022, the Group recorded revenues of € 10.50 million, 12.6% up compared to the previous period, when they amounted to € 9.32 million. EBITDA amounted to € 0.89 million, 44.8% down compared to 1H21A. Similarly, the EBITDA margin went from 17.4% in 1H21A to 8.5% over the period considered. Not considering the one-off components, EBITDA Adj. for 1H22A stands at € 1.15 million, compared to a value as of 30 June 2021 of € 1.57 million. EBIT as of 30 June 2022 amounted to € -0.08 million, a net decrease compared to € 0.77 million in 1H21A. The Net Income went from € 0.41 million to 1H21A to € -0.21 million as of 30 June 2022.

Estimates Update

In the light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years. In particular, we estimate FY22E revenues of € 21.00 million and EBITDA Adj. of € 2.96 million, corresponding to a marginality of 14.1%. For subsequent years, we expect the revenues value to increase up to € 26.40 million (CAGR 21A-24E: 12.4%) in FY24E, with EBITDA Adj. of € 5.40 million (corresponding to an EBITDA Adj. margin of 20.5%), up from € 2.83 million in FY21A (corresponding to an EBITDA Adj. margin of 15.3%). In terms of the Balance Sheet we estimate a cash positive NFP level for FY24E equal to € 1.77 million.

Valuation Update

We conducted the evaluation 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 € 74.8 million. The equity value of Websolute using the market multiples is equal to € 22.2 million. The result is an average equity value of approx. € 48.5 million. The target price is € 5.00 (prev. € 5.25), we confirm unchanged BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	13,34	18,59	21,00	23,00	26,40
Other Revenues	1,47	1,31	1,00	1,60	1,60
Value of Production	14,80	19,89	22,00	24,60	28,00
COGS	0,56	0,64	0,70	0,80	0,90
Use of Asset owned by Others	0,39	0,50	0,30	0,40	0,50
Services	5,41	7,05	8,10	8,80	9,50
Employees	6,83	8,64	10,00	10,70	11,40
Other Operating Expenses	0,20	0,12	0,20	0,20	0,30
EBITDA	1,42	2,93	2,70	3,70	5,40
<i>EBITDA Margin</i>	<i>10,7%</i>	<i>15,8%</i>	<i>12,9%</i>	<i>16,1%</i>	<i>20,5%</i>
Non recurrent items	0,00	(0,10)	0,26	0,00	0,00
EBITDA Adj.	1,42	2,83	2,96	3,70	5,40
<i>EBITDA Adj. Margin</i>	<i>10,7%</i>	<i>15,3%</i>	<i>14,1%</i>	<i>16,1%</i>	<i>20,5%</i>
D&A	0,90	1,97	2,00	2,15	2,20
EBIT	0,52	0,97	0,70	1,55	3,20
<i>EBIT Margin</i>	<i>3,9%</i>	<i>5,2%</i>	<i>3,3%</i>	<i>6,7%</i>	<i>12,1%</i>
Financial Management	(0,08)	(0,07)	(0,10)	(0,10)	(0,15)
EBT	0,45	0,90	0,60	1,45	3,05
Taxes	0,10	0,43	0,27	0,65	1,37
Net Income	0,34	0,47	0,33	0,80	1,68
Minorities Income	0,04	0,03	0,02	0,04	0,09
CONSOLIDATED BALANCE SHEET (€/mIn)	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Asset	7,48	7,26	7,80	7,70	6,65
Accounts receivable	4,57	5,67	6,40	7,10	8,00
Inventories	0,09	0,07	0,10	0,10	0,10
Accounts payable	1,30	1,35	1,50	1,70	1,80
Operating Working Capital	3,36	4,39	5,00	5,50	6,30
Other Receivables	1,60	1,27	1,40	1,60	1,80
Other Payables	2,76	3,27	3,60	4,00	4,50
Net Working Capital	2,20	2,38	2,80	3,10	3,60
Severance Indemnities & Provision	1,78	2,03	2,30	2,45	2,70
NET INVESTED CAPITAL	7,90	7,62	8,30	8,35	7,55
Share Capital	0,19	0,19	0,19	0,19	0,19
Reserves and Retained Profits	3,45	3,67	5,42	5,73	6,48
Net Profit	0,30	0,45	0,31	0,75	1,59
Equity	3,95	4,31	5,92	6,68	8,26
Minorities Equity	0,87	0,90	0,92	0,96	1,05
Cash and Cash Equivalents	3,36	3,62	5,04	6,59	9,67
Short-Term Financial Debt	1,27	1,86	2,00	2,10	2,20
ML Term Financial Debt	5,17	4,16	4,50	5,20	5,70
Net Financial Position	3,08	2,41	1,46	0,71	(1,77)
TOTAL SOURCES	7,90	7,62	8,30	8,35	7,55
CONSOLIDATED CASH FLOW (€/mIn)	FY21A	FY22E	FY23E	FY24E	
EBIT	0,97	0,70	1,55	3,20	
Taxes	0,43	0,27	0,65	1,37	
NOPAT	0,54	0,43	0,90	1,83	
D&A	1,97	2,00	2,15	2,20	
Change in receivables	(1,10)	(0,73)	(0,70)	(0,90)	
Change in inventories	0,02	(0,03)	0,00	0,00	
Change in payables	0,05	0,15	0,20	0,10	
Other Changes	0,85	0,19	0,20	0,30	
Change in NWC	(0,19)	(0,42)	(0,30)	(0,50)	
Change in Provisions	0,25	0,27	0,15	0,25	
OPERATING CASH FLOW	2,57	2,28	2,90	3,78	
Investments	(1,75)	(2,54)	(2,05)	(1,15)	
FREE CASH FLOW	0,83	(0,25)	0,85	2,63	
Financial Management	(0,07)	(0,10)	(0,10)	(0,15)	
Change in Payables to Banks	(0,41)	0,47	0,80	0,60	
Change in Equity	(0,08)	1,30	0,00	0,00	
FREE CASH FLOW TO EQUITY (FCFE)	0,26	1,42	1,55	3,08	

Source: Websolute and Integrae SIM estimates

1.1 1H22A Results

Table 2 – 1H22A vs 1H21A

€/mln	Sales	EBITDA Adj.	EBITDA Adj. %	EBIT	Net Income	NFP
1H22A	10,50	0,89	8,5%	-0,08	-0,21	1,83
1H21A	9,32	1,62	17,4%	0,77	0,41	2,41*
<i>Change</i>	<i>12,6%</i>	<i>-44,8%</i>	<i>-8,8%</i>	<i>N.A.</i>	<i>N.A.</i>	<i>N.A.</i>

Source: Integrae SIM

*NFP as of 31/12/2021

Through a press release, the Group, commenting on the half-yearly results, declares: *"The result for the first half of 2022 shows good revenues growth and profitability influenced by non-recurring costs as well as investments in the organizational structure, for the inclusion of managerial figures necessary to accelerate development. Management is constantly active in the search for all possible optimizations in structural and production costs as well as in the exploitation of synergies within the Group in order to further enhance the growth of business volumes. From a financial point of view, Net Financial Indebtedness shows a positive trend and greater liquidity available, confirming the goodness of management, a dynamic that has manifested itself even in the presence of investments aimed at guaranteeing the development of the Company in the medium term. [...]"*

At the end of the first half of 2022, the Group recorded revenues of € 10.50 million, 12.6% up compared to the previous period, when they amounted to € 9.32 million. This growth testifies the effectiveness of the management choices that have allowed to record an increase in turnover in all the Group's business lines. In particular, the following lines should be noted: Digital Marketing + 16%, Digital Platforms + 8%, Social & influencer marketing + 5%, Brand UX-UI-Customer Journey + 62%, New Media Publishing + 274%, Academy + 5%, Augmented Virtual Reality and Artificial Intelligence + 32%, E-commerce Strategy & Management + 13%, Cloud & System Integration + 8% and Digital Strategy Consulting + 42%.

EBITDA amounted to € 0.89 million, 44.8% down compared to 1H21A. Similarly, the EBITDA margin went from 17.4% in 1H21A to 8.5% over the period considered. This decrease is first of all due to the non-recurring components amounting to € 0.26 million deriving from one-off costs for the bonus to directors. Not considering the one-off components, EBITDA Adj. for 1H22A stands at € 1.15 million, compared to a value as of 30 June 2021 of € 1.57 million. Also relevant is the increase in production costs and the cost of employees attributable to the choice of management to improve the qualification of employees. Lastly, it is worth noting the reduction in costs for the use of third-party assets made possible by the exercise of the option to purchase the business unit of Sida Group Srl by W.Academy Srl on 30 June 2022, which provided for the transformation into a down payment and/or reduction of the purchase price of the sums paid in 2022 as rents.

EBIT as of 30 June 2022 amounted to € -0.08 million, a decrease compared to € 0.77 million in 1H21A. In addition to the changes described above, the worsening in EBIT is due to the increase in amortization generated by further investments in fixed assets for the improvement of products, and operating processes and for the search for new market niches with high development potential.

The Net Income went from € 0.41 million to 1H21A to € - 0.21 million as of 30 June 2022.

The NFP as of 30 June 2022 recorded an improvement of € 1.83 million compared to € 2.41 million on 31 December 2021 thanks to an increase in cash and cash equivalents of € 0.45 million.

1.2 FY22E – FY224E Estimates

Table 3 – Estimates Updates FY22E-224E

€/mln	FY22E	FY23E	FY24E
Sales			
New	21,0	23,0	26,4
Old	23,0	27,0	33,0
Change	-8,7%	-14,8%	-20,0%
EBITDA Adj.			
New	3,0	3,7	5,4
Old	4,0	5,7	7,4
Change	-26,0%	-35,1%	-26,5%
EBITDA Adj. %			
New	14,1%	16,1%	20,5%
Old	17,4%	21,1%	22,3%
Change	-3,3%	-5,0%	-1,8%
EBIT			
New	0,7	1,6	3,2
Old	2,0	3,7	5,3
Change	-65,0%	-57,5%	-39,0%
Net Income			
New	0,3	0,8	1,7
Old	1,0	2,0	2,8
Change	-68,4%	-59,2%	-40,8%
NFP			
New	1,5	0,7	(1,8)
Old	1,6	0,2	(2,1)
Change	N.A	N/A	N/A

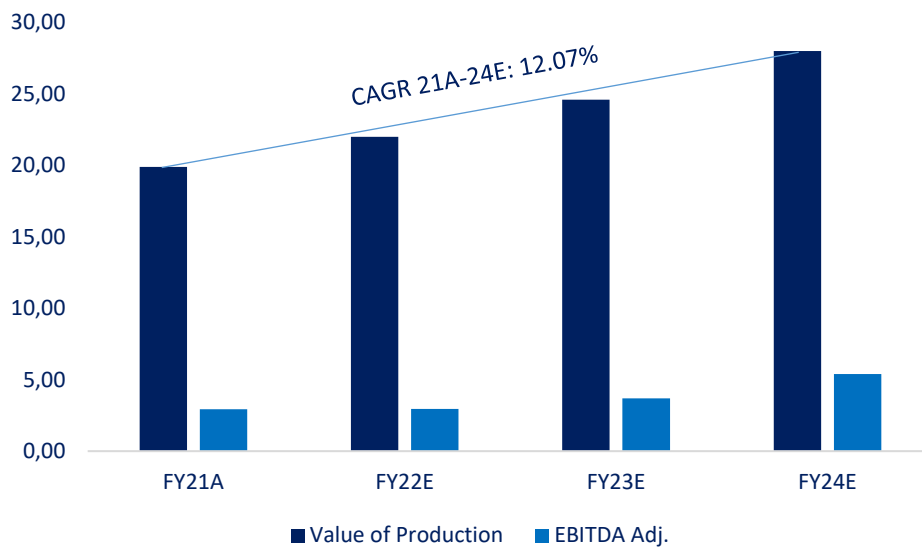
Source: Integrae SIM

In light of the results published in the half-yearly report for 1H22A, we modify our previous estimates both for the current year and for the coming years.

In particular, we estimate FY22E revenues of € 21.00 million and EBITDA Adj. of € 2.96 million, corresponding to a marginality of 14.1%. For subsequent years, we expect the value of the revenue to increase up to € 26.40 million (CAGR 21A-24E: 12.4%) in FY24E, with EBITDA Adj. of € 5.40 million (corresponding to an EBITDA Adj. margin of 20.5%), up from € 2.83 million in FY21A (corresponding to an EBITDA Adj. margin of 15.3%).

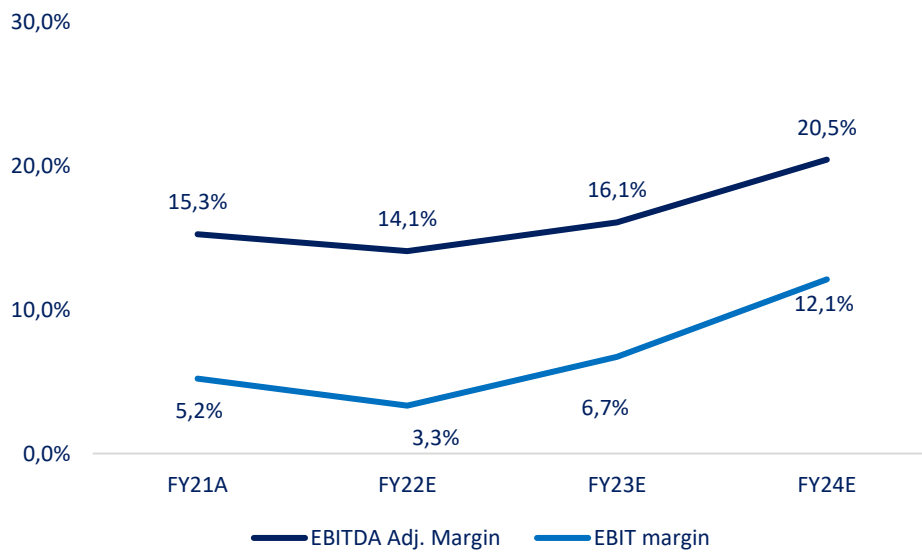
Regarding the Balance Sheet, we estimate a cash-positive NFP level for FY24E equal to € 1.77 million.

Chart 1 – Value of Production and EBITDA Adj. FY21A-24E



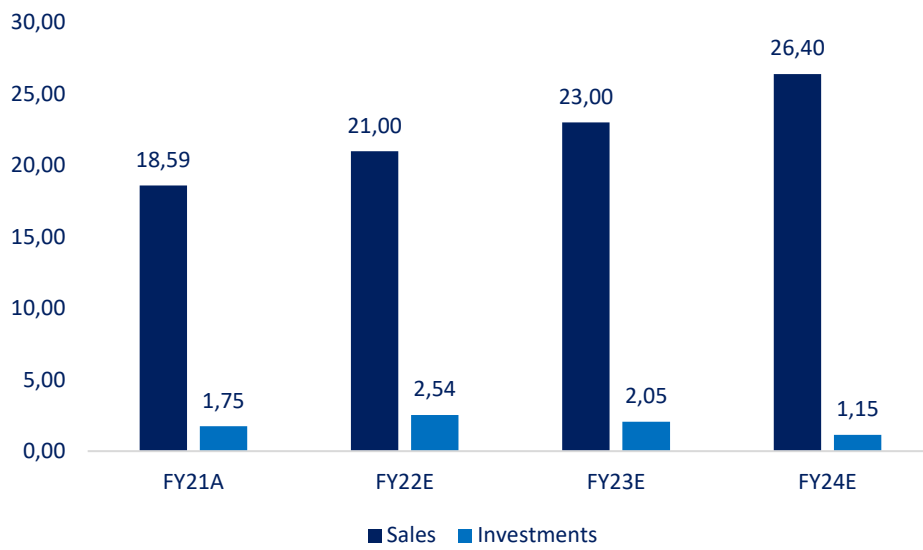
Source: Integrae SIM

Chart 2 – Margin FY21A-24E



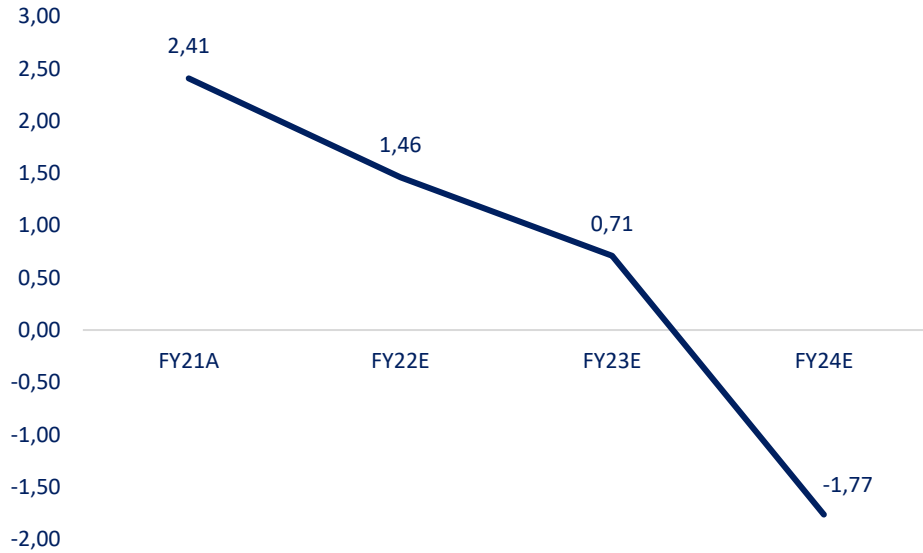
Source: Integrae SIM

Chart 3 – Capex FY21A-24E



Source: Integrae SIM

Chart 4 – NFP FY21A-24E



Source: Integrae SIM

2. Valuation

We 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		5,11%
Risk Free Rate	2,18% α (specific risk)	2,50%
Market Premium	9,08% Beta Adjusted	0,61
D/E (average)	122,22% Beta Relevered	1,16
Ke	10,26% Kd	1,25%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 5.11%.

Table 5 – DCF Valuation

DCF Equity Value		74,8
FCFO actualized	6,8	9%
TV actualized DCF	70,5	91%
Enterprise Value	77,2	100%
NFP (FY21A)	2,4	

Source: Integrae SIM

With the above data and taking as a reference our estimates and assumptions, the result is an **equity value of € 74.8 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln	WACC				
	4,1%	4,6%	5,1%	5,6%	6,1%
2,5%	189,7	143,7	115,3	96,0	82,1
2,0%	145,9	117,1	97,5	83,3	72,6
1,5%	118,9	99,0	84,6	73,7	65,2
Growth Rate (g)					
1,0%	100,5	85,9	74,8	66,2	59,2
0,5%	87,2	76,0	67,2	60,1	54,3
0,0%	77,2	68,2	61,1	55,2	50,2
-0,5%	69,3	62,0	56,0	51,0	46,7

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)		
	2022E	2023E	2024E
Alkemy SpA	6,4	5,5	4,9
Be Shaping the Future SpA	11,2	10,0	N/A
Digital360 SpA	8,2	5,6	4,8
Cyberoo SpA	9,4	4,5	2,8
Relatech SpA	6,6	5,1	4,3
Median	8,2	5,5	4,5

Source: Infinancials

Table 8 – Market Multiples Valuation

€/mln	2022E	2023E	2024E
Enterprise Value (EV)			
EV/EBITDA	22,1	20,5	24,5
Equity Value			
EV/EBITDA	20,7	19,7	26,3
Average	20,7	19,7	26,3

Source: Integrae SIM

The equity value of Websolute using the market multiple EV/EBITDA, is equal to € 22.2 million.

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	48,5
Equity Value DCF (€/mln)	74,8
Equity Value multiples (€/mln)	22,2
Target Price (€)	5,00

Source: Integrae SIM

The result is an average equity value of € 48.5 million. **The target price is, therefore, € 5.00 (prev. €5.25). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	17,4x	18,9x	13,8x	9,4x
EV/EBIT	52,6x	72,8x	32,9x	15,9x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	6,8x	7,4x	5,4x	3,7x
EV/EBIT	20,7x	28,7x	12,9x	6,3x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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27/09/2021	2,38	Buy	5,00	Medium	Update
22/03/2022	2,74	Buy	5,25	Medium	Update
09/09/2022	2,21	Buy	5,25	Medium	Flash Note

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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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- In the IPO phase, Integrae SIM played the role of global coordinator.