

UPDATE

EQUITY RESEARCH

ISIM
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Websolute

Euronext Growth Milan | Digital | Italy

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Rating

BUY

unchanged

Target Price

€ 4,70

prev. € 5,00

Risk



Medium

Upside potential

158,2%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 1,82
Target price	€ 4,70
Upside/(Downside) potential	158,2%
Ticker	WBS IM EQUITY
Market Cap (€/mln)	€ 18,61
EV (€/mln)	€ 21,85
Free Float	30,18%
Share Outstanding	10.226.825
52-week high	€ 2,43
52-week low	€ 1,68
Average daily volumes (3 months)	2.067

Key Financials (€/mln)	FY22A	FY23E	FY24E	FY25E
Sales	21,54	21,50	23,60	26,50
EBITDA Adj.	2,61	4,00	4,80	6,10
EBIT	(0,21)	1,70	2,60	3,90
Net Profit	(0,52)	1,00	1,55	2,45
NFP	3,24	2,03	(0,07)	(2,87)
EBITDA Adj. margin	11,4%	17,4%	19,1%	21,8%
EBIT margin	-0,9%	7,4%	10,4%	13,9%
Net Profit margin	-2,3%	4,3%	6,2%	8,8%

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Stock performance	1M	3M	6M	1Y
Absolute	-4,21%	-9,00%	-21,89%	1,11%
to FTSE Italia Growth	2,23%	0,31%	-10,09%	6,37%
to Euronext STAR Milan	2,97%	3,36%	-5,17%	-3,19%
to FTSE All-Share	-1,65%	-11,82%	-21,96%	-35,03%
to EUROSTOXX	-0,70%	-6,32%	-19,09%	-26,20%
to MSCI World Index	0,32%	-7,45%	-24,89%	-17,19%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	8,4 x	5,5 x	4,6 x	3,6 x
EV/EBIT	N/A	12,9 x	8,4 x	5,6 x

1H23A Results

At the end of the first half-year of 2023, Websolute Group reported revenues of € 10.32 million, a slight decrease of 1.8% compared to the results of 1H22A, in which revenues amounted to € 10.50 million. EBITDA came in at € 1.38 million, showing a marked increase (+54.8%) compared to 1H22A, in which it was equal to € 0.89 million. Similarly, the EBITDA margin went from 8.0% in 1H22A to 12.4% in the half-year under review. EBIT came in positive and equal to € 0.21 million, showing a marked increase compared to the negative result of € 0.08 million reported in 1H22A. The value of Net Income for 1H23A was similarly on the rise, coming in at € -0.10 million, compared to a result for 1H22A equal to € -0.21 million. The NFP for the first half-year of 2022 showed an improvement of 21.7% compared to the FY22A result (equal to € 3.24 million of debt), settling at a value of € 2.53 million of debt.

Estimates Update

In light of the results published in the half-year report for 1H23A, we have adjusted our estimates for both the current year and the coming years. In particular, we now estimate FY23E sales revenues of € 21.50 million and an adjusted EBITDA equal to € 4.00 million, corresponding to a margin of 17.4%. In the following years, we expect the sales value to rise to € 26.50 million (CAGR 22A-25E: 7.2%) in FY25E, with adjusted EBITDA equal to € 6 .10 million, corresponding to a margin of 21.8%. As regards the balance sheet, we estimate a cash positive NFP of € 2.87 million for FY25E.ù

Valuation Update

We conducted our valuation of the equity value of Websolute based on the DCF method and multiples of a sample of comparable companies. The DCF method (including, for prudential purposes, a specific risk of 2.5% in the calculation of the WACC) returned an equity value of € 52.5 million. Using market multiples, the equity value of Websolute was calculated as € 43.6 million. The result gives an average equity value of approximately € 48.1 million. The target price is € 4.70, BUY rating, and MEDIUM risk.

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Sales	18,59	21,54	21,50	23,60	26,50
Other Revenues	1,31	1,25	1,50	1,50	1,50
Value of Production	19,89	22,79	23,00	25,10	28,00
COGS	0,64	1,00	1,00	1,10	1,20
Services	7,05	8,56	7,50	8,00	8,60
Use of Asset owned by Others	0,50	0,36	0,40	0,40	0,40
Employees	8,64	10,54	10,00	10,60	11,50
Other Operating Expenses	0,12	0,25	0,20	0,20	0,20
EBITDA	2,93	2,08	3,90	4,80	6,10
<i>EBITDA Margin</i>	<i>14,8%</i>	<i>9,1%</i>	<i>17,0%</i>	<i>19,1%</i>	<i>21,8%</i>
Non recurrent items	(0,15)	0,52	0,10	0,00	0,00
EBITDA Adj.	2,79	2,61	4,00	4,80	6,10
<i>EBITDA Adj. Margin</i>	<i>14,0%</i>	<i>11,4%</i>	<i>17,4%</i>	<i>19,1%</i>	<i>21,8%</i>
D&A	1,97	2,29	2,20	2,20	2,20
EBIT	0,97	(0,21)	1,70	2,60	3,90
<i>EBIT Margin</i>	<i>4,9%</i>	<i>-0,9%</i>	<i>7,4%</i>	<i>10,4%</i>	<i>13,9%</i>
Financial Management	(0,07)	(0,10)	(0,20)	(0,20)	(0,15)
EBT	0,90	(0,31)	1,50	2,40	3,75
Taxes	0,43	0,21	0,50	0,85	1,30
Net Income	0,47	(0,52)	1,00	1,55	2,45
Minorities Income	0,03	0,03	0,05	0,05	0,10

CONSOLIDATED BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Fixed Asset	7,26	7,92	7,35	6,35	5,35
Accounts receivable	5,67	6,69	7,10	7,80	8,75
Inventories	0,07	0,11	0,15	0,15	0,15
Accounts payable	1,35	1,63	1,60	1,75	1,90
Operating Working Capital	4,39	5,18	5,65	6,20	7,00
Other Receivables	1,27	1,57	1,70	1,90	2,15
Other Payables	3,27	3,35	3,50	3,70	4,00
Net Working Capital	2,38	3,40	3,85	4,40	5,15
Severance Indemnities & Provision	2,03	2,52	2,60	2,70	2,80
NET INVESTED CAPITAL	7,62	8,81	8,60	8,05	7,70

Share Capital	0,19	0,20	0,20	0,20	0,20
Reserves and Retained Profits	3,67	4,97	4,42	5,37	6,87
Net Profit	0,45	(0,55)	0,95	1,50	2,35
Equity	4,31	4,62	5,57	7,07	9,42
Minorities Equity	0,90	0,95	1,00	1,05	1,15
Cash and Cash Equivalents	3,62	4,01	4,07	6,07	8,77
Short-Term Financial Debt	1,86	2,01	2,10	2,20	2,30
ML Term Financial Debt	4,16	5,24	4,00	3,80	3,60
Net Financial Position	2,41	3,24	2,03	(0,07)	(2,87)
TOTAL SOURCES	7,62	8,81	8,60	8,05	7,70

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E
EBIT	(0,21)	1,70	2,60	3,90
Taxes	0,21	0,50	0,85	1,30
NOPAT	(0,42)	1,20	1,75	2,60
D&A	2,29	2,20	2,20	2,20
Change in receivables	(1,03)	(0,41)	(0,70)	(0,95)
Change in inventories	(0,04)	(0,04)	0,00	0,00
Change in payables	0,28	(0,03)	0,15	0,15
Other Changes	(0,23)	0,02	0,00	0,05
Change in NWC	(1,02)	(0,45)	(0,55)	(0,75)
Change in Provisions	0,49	0,08	0,10	0,10
OPERATING CASH FLOW	1,35	3,03	3,50	4,15
Capex	(2,95)	(1,63)	(1,20)	(1,20)
FREE CASH FLOW	(1,60)	1,41	2,30	2,95
Financial Management	(0,10)	(0,20)	(0,20)	(0,15)
Change in Payables to Banks	1,22	(1,14)	(0,10)	(0,10)
Change in Equity	0,88	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	0,39	0,06	2,00	2,70

Source: Websolute and Integrae SIM estimates

Company Overview

Websolute operates in the digital communications and digital marketing sector, and, thanks to almost twenty years of experience and vertical skills gained in the various areas of its activities, offers its customers a vast range of business digital services and solutions. Leveraging cloud services provided by major Italian and global players and widespread global digital platforms, the Group takes care of the entire value creation process for its customers with its own resources, ranging from strategic consultancy through to the implementation and maintenance of digital services to strengthen brands, and the creation of tailor-made marketing strategies to help its customers develop their businesses.

The Group supports its customers on the Italian market, responding to their needs in terms of: branding (how companies communicate their brand through digital channels); marketing (how companies look for markets and how customers look for products); commerce (how companies sell and how customers want to buy); and technology (as an enabling factor to support the above processes).

1H23A Results

TABLE 2 – 1H23A VS 1H22A

€/mln	Sales	EBITDA Adj.	EBITDA Adj. %	EBIT	Net Income	NFP
1H23A	10,32	1,48	13,3%	0,21	(0,10)	2,53
1H22A	10,50	1,15	10,3%	(0,08)	(0,21)	3,24*
Change	-1,8%	28,7%	3,0%	29,3%	11,0%	N.A

*NFP al 31/12/2022
Source: Integrae SIM

In the half-year results press release, Lamberto Mattioli, President and CEO of Websolute, commented: *“Despite the moment of great difficulty in the national and international economy, due primarily to the generalized increase in the costs of raw materials and the strongly negative repercussions of the rise in energy costs and inflation, which are having an impact on businesses and the income statements of companies in almost all product sectors, Websolute Group has been able to react promptly and effectively to the new needs and constraints dictated by the crisis, by managing, in a context of uncertainty, a line of greater prudence, yet continuing its path with coherence and continuity on the strategic investments front and particularly from the point of view of the products and services offered to the market, which are fundamental in facing the challenges of a very competitive market in the near future. There is still great uncertainty about the future trends of the economy and the markets, as we have no definition of the duration of the crisis and have to foresee long times to identify solutions to the problems that have arisen on the inflation front and the recovery of margins in the company balance sheets. From June 2022, the Group has activated a careful and effective policy of cost normalization, organizational structure optimization and the streamlining of processes, management tools and operational measures aimed at improving the Group’s profitability. This activity has brought important economic and financial benefits to the management of the first half-year of 2023, and it is believed that the improvements, coming from structural interventions, will continue to produce positive effects on the Group’s results also in the second half-year of the current year and in the next financial year.”*

At the end of the first half-year of 2023, Websolute Group reported revenues of € 10.32 million, a slight decrease of 1.8% compared to the results of 1H22A, in which revenues amounted to € 10.50 million. We note, however, that the revenues from sales and margin-producing services, together with the variation attributable to the integration of proceeds from public contributions on production orders (belonging to the item “Other revenues and income”, and equal to € 0.27 million for 1H23A), point to an effective growth of 3.9% compared to 1H22A. Conversely, the performance of so-called non-margin-producing marketed products, i.e. those producing revenues from the chargeback of costs incurred on behalf of customers and re-invoiced, are attributable for a significant contraction of approximately -38.6%. The data relating to turnover is better appreciated if revenues are analyzed in reference to individual product lines. Indeed, it emerges that, despite the particularly negative

macroeconomic situation affecting the half-year in question, the majority of the Group's business lines saw a growth in revenues, testifying to the effectiveness of management decisions. In particular, we highlight the following lines: Digital Marketing +6.0%, Social & Influencer Marketing +6.0%, Augmented Virtual Reality and Artificial Intelligence +23.0%, and Digital Strategy Consulting +2.0%. We, furthermore, highlight a value of production of € 11.16 million for the first half-year of 2023, showing a slight decrease (-0.3%) compared to the equivalent figure for 1H22A.

EBITDA came in at € 1.38 million, showing a marked increase (+54.8%) compared to 1H22A, in which it was equal to € 0.89 million. Similarly, the EBITDA margin went from 8.0% in 1H22A to 12.4% in the half-year under review. This result is attributable to the generalized growth of margin-producing revenue lines, which have more than compensated for the increases in production costs. Furthermore, from the first half-year of 2023, it is possible to appreciate the benefits, in terms of the reduction of certain costs, of the optimization and efficiency plan implemented by the Group from June 2022 onwards.

In particular, there has been an increase in the consumption of raw and consumable materials and changes in inventories equal to € 0.47 million, showing an increase of 28.0% compared to 1H22A, mainly caused by the growth in revenues deriving from the increase in sales of finished products, as well as by the costs incurred in order to equip the subsidiary More Srl with virtual reality equipment. Conversely, costs for services (equal to € 3.76 million in 1H23A) saw a decrease of 13.1% compared to the equivalent figure for 1H22A, made possible by the cost normalization and optimization measures implemented by management.

Adjusted EDITDA, taking into account increased non-recurring expenses equal to € 0.10 million (relating to one-off costs that the parent company incurred to resolve certain disputes following the liquidation of the benefit corporation subsidiary W-Mind Srl, on May 15, 2023), amounted to € 1.48 million in the half-year in question, with a margin of 13.3%, attesting to a growth of 28.7% compared to the equivalent figure for 1H22A, equal to € 1.15 million (with a margin of 10.3%).

EBIT, as of June 30, 2022, calculated net of amortization and depreciation of € 1.17 million, came in positive and equal to € 0.21 million, a marked increase compared to the negative result of € 0.08 million reported in 1H22A. Similarly growing, though negative, was the Net Income value for 1H23A, equal to € -0.10 million, compared to a result for 1H22A equal to € -0.21 million.

The NFP for the first half-year of 2022 showed an improvement of 21.7% compared to the FY22A result (equal to € 3.24 million of debt), settling at a value of € 2.53 million of debt. The item was mainly impacted by the decision to reduce bank financial debt. The decrease in financial debt was accompanied by a decrease in cash in relation to the purchase of own shares during the period, as well as to the payment of debts for extraordinary M&A operations, and, in particular, to the exercise of the call option for the purchase of the Academy business unit from Sida Group Srl, dated June 30, 2022.

Furthermore, we note that, in the half-year in question, the Websolute Group made various types of investments, including:

- Strategic investments in pursuit of high potential targets in specific market niches, and aimed at building in-house know-how and tools;
- Production investments mainly connected to the Group's push to expand its catalog of products and services, taking into consideration recent market trends and the emerging demands of customers, which are increasingly oriented to the use of artificial intelligence. In particular, the Group has put in place a financing plan aimed at the creation of new platforms and re-engineering. Furthermore, we note the successful conclusion of the first phase of the Metaverso project and the development of Web 4.0 technologies;
- Organizational investments oriented to strengthening and developing potential synergies, particularly regarding the processing of management, financial and accounting information.

FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E-25E

€/mln	FY23E	FY24E	FY25E
Sales			
New	21,50	23,60	26,50
Old	23,70	26,50	30,00
Change	-9,3%	-10,9%	-11,7%
EBITDA Adj.			
New	4,00	4,80	6,10
Old	4,65	5,35	6,25
Change	-14,0%	-10,3%	-2,4%
EBITDA Adj. %			
New	17,4%	19,1%	21,8%
Old	19,6%	20,2%	20,8%
Change	-2,2%	-1,1%	1,0%
EBIT			
New	1,70	2,60	3,90
Old	2,15	2,95	3,95
Change	-20,9%	-11,9%	-1,3%
Net Income			
New	1,00	1,55	2,45
Old	1,30	1,80	2,45
Change	-23,1%	-13,9%	0,0%
NFP			
New	2,03	(0,07)	(2,87)
Old	1,43	(0,72)	(3,37)
Change	N/A	N/A	N/A

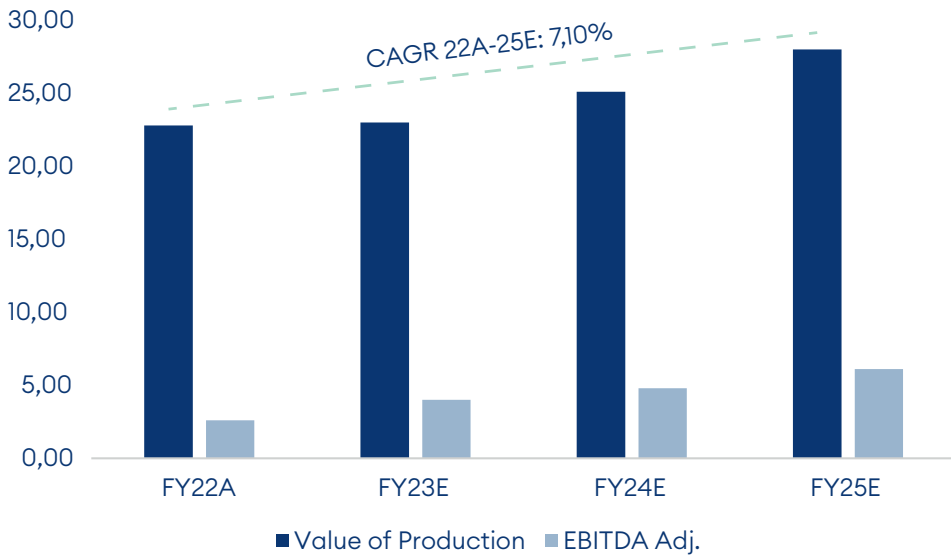
Source: Integrae SIM

In light of the results published in the half-year report for 1H23A, we have adjusted our estimates for both the current year and the coming years.

In particular, we now estimate FY23E sales revenues of € 21.50 million and an adjusted EBITDA equal to € 4.00 million, corresponding to a margin of 17.4%. In the following years, we expect the sales value to rise to € 26.50 million (CAGR 22A-25E: 7.2%) in FY25E, with adjusted EBITDA equal to € 6.10 million, corresponding to a margin of 21.8%.

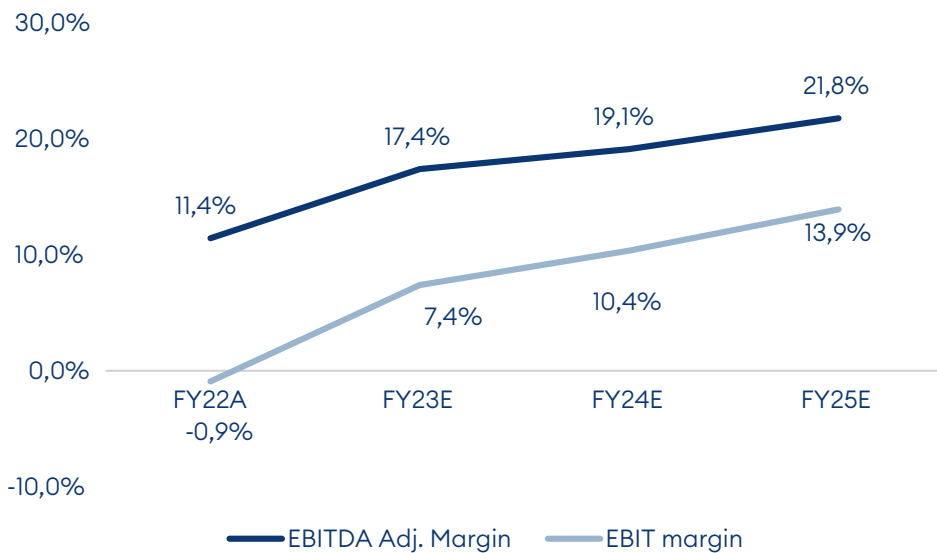
On the balance sheet, we estimate a cash positive NFP of € 2.87 million for FY25E.

CHART 1 - VOP AND EBITDA FY22A-25E



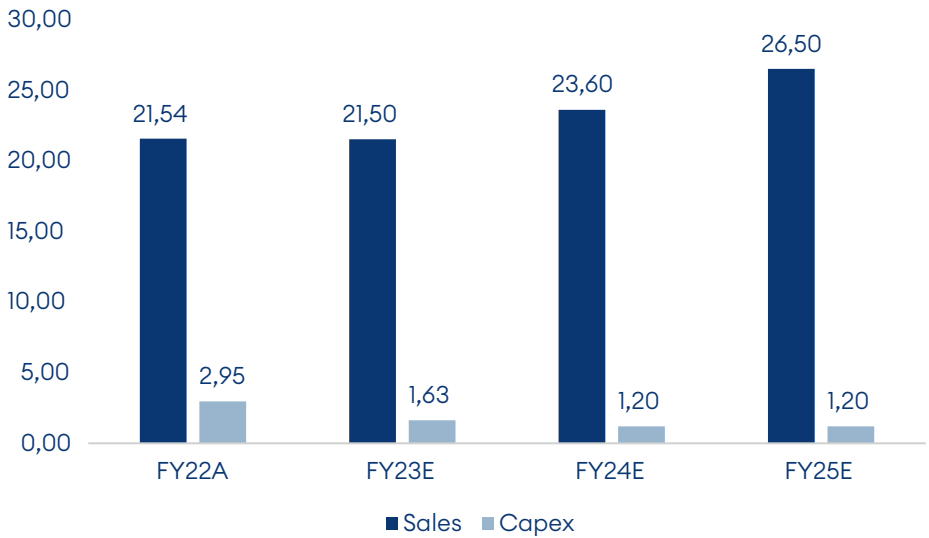
Source: Integrae SIM

CHART 2 - MARGIN FY22A-25E



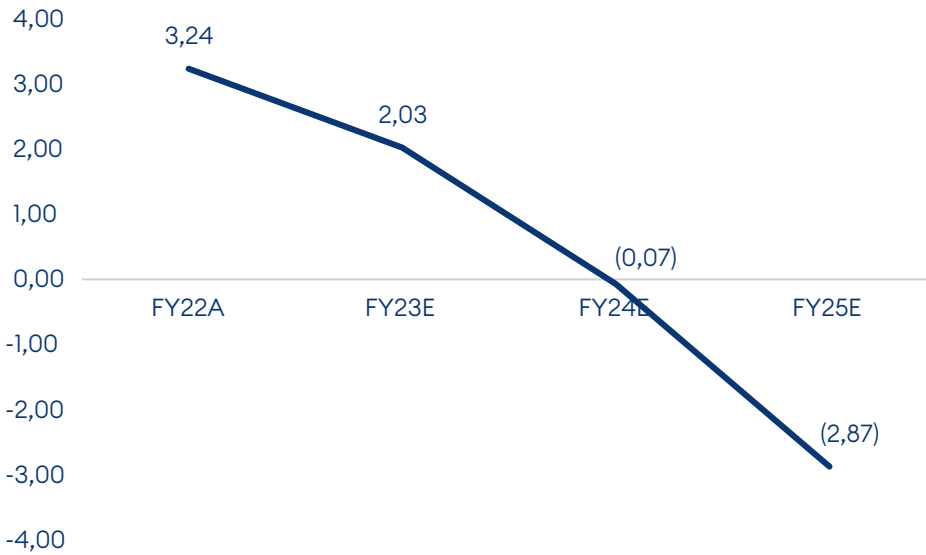
Source: Integrae SIM

CHART 3 – CAPEX FY22A-25E



Source: Integrae SIM

CHART 4 – NFP FY22A-25E



Source: Integrae SIM

Valuation

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

DCF Method

TABLE 4 - WACC

WACC			6,58%
D/E 122,22%	Risk Free Rate 3,64%	β Adjusted 0,65	α (specific risk) 2,50%
K_d 3,50%	Market Premium 8,33%	β Relevered 1,22	K_e 11,54%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 6.58%.

TABLE 5 – DCF VALUATION

DCF	% of EV
FCFO actualized	6,4 12%
TV actualized DCF	49,3 88%
Enterprise Value	55,8 100%
NFP (FY22A)	3,2
Equity Value	52,5

Source: Integrae SIM

With the above data and taking our estimates and assumptions as reference, the result is an **equity value of € 52.5 million**.

TABLE 6 - EQUITY VALUE - SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		5,1%	5,6%	6,1%	6,6%	7,1%	7,6%	8,1%
	2,5%	113,3	94,5	80,9	70,7	62,7	56,2	50,9
	2,0%	95,5	81,8	71,4	63,3	56,8	51,5	47,0
	1,5%	82,6	72,1	64,0	57,4	52,0	47,5	43,7
	1,0%	72,9	64,6	58,0	52,5	48,0	44,1	40,8
	0,5%	65,3	58,6	53,1	48,5	44,6	41,2	38,3
	0,0%	59,2	53,6	49,0	45,0	41,6	38,7	36,1
	-0,5%	54,2	49,5	45,5	42,1	39,1	36,5	34,2

Source: Integrae SIM

Market multiples

Our panel is made up of companies operating in the same sector as Websolute. These companies are the same used to calculate Beta for the *DCF method*. The panel is made up of:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA		
	FY23E	FY24E	FY25E
Neosperience SpA	7,5 x	6,2 x	4,9 x
Cyberoo SpA	9,6 x	6,2 x	N/A
Reply SpA	9,8 x	8,8 x	8,2 x
Growens SpA	63,0 x	42,0 x	27,3 x
Tinexta SpA	10,3 x	8,9 x	7,7 x
Peer median	9,8 x	8,8 x	7,9 x

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
Enterprise Value (EV)			
EV/EBITDA Adj.	39,3	42,2	48,4
Equity Value			
EV/EBITDA Adj.	37,3	42,3	51,2
Average	37,3	42,3	51,2

Source: *Integrae SIM*

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Websolute is approximately € 43.6 million.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	48,1
Equity Value DCF (€/mln)	52,5
Equity Value multiples (€/mln)	43,6
Target Price (€)	4,70

Source: Integrae SIM

The result gives an average equity value of approximately € 48.1 million. **The target price is therefore € 4.70 (prev. € 5.00). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	19,7x	12,8x	10,7x	8,4x
EV/EBIT	N/A	30,2x	19,7x	13,2x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	8,4 x	5,5 x	4,6 x	3,6 x
EV/EBIT	N/A	12,9 x	8,4 x	5,6 x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

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The table below, shows INTEGRAE SIM's recommendation, target price and risk issued during the last 12 months:

Date	Price	Recommendation	Target Price	Risk	Comment
06/10/2022	1,82	Buy	5,00	Medium	Update
13/04/2023	2,00	Buy	5,00	Medium	Update

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Rating system (long term horizon: 12 months)

The BUY, HOLD and SELL ratings are based on the expected total return (ETR – absolute performance in the 12 months following the publication of the analysis, including the ordinary dividend paid by the company), and the risk associated to the share analyzed. The degree of risk is based on the liquidity and volatility of the share, and on the rating provided by the analyst and contained in the report. Due to daily fluctuations in share prices, the expected total return may temporarily fall outside the proposed range

Equity Total Return (ETR) for different risk categories

Rating	Low Risk	Medium Risk	High Risk
BUY	ETR \geq 7.5%	ETR \geq 10%	ETR \geq 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR \leq -5%	ETR \leq -5%	ETR \leq 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

Valuation methodologies (long term horizon: 12 months)

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