

WEBSOLUTE	<i>Italy</i>	<i>Euronext Growth Milan</i>	<i>Digital Company</i>
Rating: BUY (unch.)	Target Price: € 5,25 (prev. 5,00)	Update	Risk: Medium

Stock performance	1M	3M	6M	1Y
absolute	-2,14%	-19,41%	37,00%	119,20%
to FTSE Italia Growth	-2,42%	-11,45%	44,17%	94,85%
to Euronext STAR Milan	-2,60%	-7,24%	49,77%	106,43%
to FTSE All-Share	4,25%	-10,49%	43,12%	118,62%
to EUROSTOXX	0,46%	-12,39%	43,47%	117,95%
to MSCI World Index	-3,31%	-14,92%	39,07%	112,05%

Stock Data

Price	€ 2,74
Target price	€ 5,25
Upside/(Downside) potential	91,5%
Bloomberg Code	WEB IM EQUITY
Market Cap (€m)	€ 26,59
EV (€m)	€ 29,00
Free Float	24,90%
Share Outstanding	9.704.217
52-week high	€ 4,16
52-week low	€ 1,25
Average daily volumes (3m)	10.125

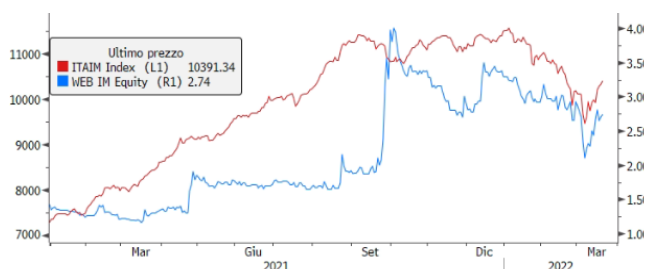
Key Financials (€m)	FY21A	FY22E	FY23E	FY24E
Sales	18,6	23,0	27,0	33,0
EBITDA	2,9	4,0	5,7	7,4
EBIT	1,0	2,0	3,7	5,3
Net Profit	0,5	1,0	2,0	2,8
EPS (€)	0,05	0,11	0,20	0,29
EBITDA margin	15,8%	17,4%	21,1%	22,3%
EBIT margin	5,2%	8,7%	13,5%	15,9%
Net Profit margin	2,5%	4,5%	7,2%	8,6%

Main Ratios	FY21A	FY22E	FY23E	FY24E
EV/EBITDA (x)	9,9	7,2	5,1	3,9
EV/EBIT (x)	29,9	14,5	7,9	5,5
P/E (x)	56,5	25,4	13,6	9,4

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Stocks performance relative to FTSE Italia Growth



FY21A Results

The revenues amount to € 18.59 million compared to € 13.34 million at the end of 2020 and € 19.00 million estimated in our previous report. EBITDA is equal to € 2.93 million, compared to € 1.42 million in the previous year and € 3.20 million expected. Consequently, the EBITDA Margin amounts to 15.8% compared to 10.7% in 2020 and 16.8% expected. EBIT amounts to € 0.97 million (€ 0.52 million in 2020) after amortization and depreciation of € 1.97 million. Net profit amounted to € 0.47 million (€ 0.34 million in 2020), compared to an expected value of € 1.01 million. The NFP went from € 3.08 million to € 2.41 million.

Estimates Update

We modify our previous estimates both for the current year and for the coming years. In particular, we expect the 2022E revenues of € 23.00 million and EBITDA of € 4.00 million, corresponding to a marginality of 17.4%. For subsequent years, we expect the revenues to increase up to € 33.00 million (CAGR 21A-24E: 21.0%) in 2024E, with EBITDA of € 7.35 million (corresponding to an EBITDA margin of 22.3%), up from € 2.93 million in 2021A (corresponding to an EBITDA margin of 15.8%). In terms of the Balance Sheet, however, we estimate a cash positive NFP equal to € 2.14 million for 2024E.

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 € 66.7 million. The equity value of Websolute using the market multiples is equal to € 35.2 million. The result is an average equity value of approx. € 50.9 million. The target price is € 5.25 (prev. € 5.00), we confirm unchanged BUY rating and MEDIUM risk.

1. Economics & Financials

Table 1 – Economics & Financials

CONSOLIDATED INCOME STATEMENT (€/mIn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	12,82	13,34	18,59	23,00	27,00	33,00
Other Revenues	1,25	1,47	1,31	1,00	1,00	1,00
Value of Production	14,07	14,80	19,89	24,00	28,00	34,00
COGS	0,45	0,56	0,64	0,75	0,90	1,10
Use of Asset owned by Others	0,27	0,39	0,50	0,65	0,75	0,90
Services	5,34	5,41	7,05	8,25	9,30	11,20
Employees	5,71	6,83	8,64	10,20	11,20	13,30
Other Operating Expenses	0,17	0,20	0,12	0,15	0,15	0,15
EBITDA	2,14	1,42	2,93	4,00	5,70	7,35
<i>EBITDA Margin</i>	<i>16,7%</i>	<i>10,7%</i>	<i>15,8%</i>	<i>17,4%</i>	<i>21,1%</i>	<i>22,3%</i>
D&A	1,26	0,90	1,97	2,00	2,05	2,10
EBIT	0,88	0,52	0,97	2,00	3,65	5,25
<i>EBIT Margin</i>	<i>6,9%</i>	<i>3,9%</i>	<i>5,2%</i>	<i>8,7%</i>	<i>13,5%</i>	<i>15,9%</i>
Financial Management	(0,07)	(0,08)	(0,07)	(0,10)	(0,10)	(0,10)
EBT	0,81	0,45	0,90	1,90	3,55	5,15
Taxes	0,31	0,10	0,43	0,86	1,60	2,32
Net Income	0,51	0,34	0,47	1,05	1,95	2,83
Minorities Income	0,16	0,04	0,03	0,06	0,10	0,15
CONSOLIDATED BALANCE SHEET (€/mIn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
Fixed Asset	5,39	7,48	7,26	7,10	7,00	6,95
Accounts receivable	4,04	4,57	5,67	7,00	8,25	10,10
Inventories	0,08	0,09	0,07	0,10	0,10	0,10
Accounts payable	1,33	1,30	1,35	1,60	1,80	2,20
Operating Working Capital	2,79	3,36	4,39	5,50	6,55	8,00
Other Receivables	0,73	1,60	1,27	1,55	1,80	2,20
Other Payables	2,29	2,76	3,27	3,85	4,35	5,25
Net Working Capital	1,23	2,20	2,38	3,20	4,00	4,95
Severance Indemnities & Provision	1,46	1,78	2,03	2,40	2,55	3,00
NET INVESTED CAPITAL	5,16	7,90	7,62	7,90	8,45	8,90
Share Capital	0,17	0,19	0,19	0,19	0,19	0,19
Reserves and Retained Profits	3,26	3,45	3,67	4,12	5,10	6,95
Net Profit	0,35	0,30	0,45	0,99	1,85	2,68
Equity	3,78	3,95	4,31	5,30	7,15	9,83
Minorities Equity	0,50	0,87	0,90	0,96	1,06	1,21
Cash and Cash Equivalents	3,70	3,36	3,62	4,86	7,06	10,04
Short-Term Financial Debt	1,99	1,27	1,86	2,00	2,10	2,20
ML Term Financial Debt	2,58	5,17	4,16	4,50	5,20	5,70
Net Financial Position	0,88	3,08	2,41	1,64	0,24	(2,14)
TOTAL SOURCES	5,16	7,90	7,62	7,90	8,45	8,90
CONSOLIDATED CASH FLOW (€/mIn)	FY19A	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	0,88	0,52	0,97	2,00	3,65	5,25
Taxes	0,31	0,10	0,43	0,86	1,60	2,32
NOPAT	0,57	0,42	0,54	1,15	2,05	2,93
D&A	1,26	0,90	1,97	2,00	2,05	2,10
Change in receivables	(0,24)	(0,53)	(1,10)	(1,33)	(1,25)	(1,85)
Change in inventories	(0,05)	(0,01)	0,02	(0,03)	0,00	0,00
Change in payables	0,33	(0,03)	0,05	0,25	0,20	0,40
Other Changes	0,64	(0,40)	0,85	0,29	0,25	0,50
Change in NWC	0,68	(0,97)	(0,19)	(0,82)	(0,80)	(0,95)
Change in Provisions	0,18	0,32	0,25	0,37	0,15	0,45
OPERATING CASH FLOW	2,69	0,67	2,57	2,70	3,45	4,53
Investments	(3,47)	(2,99)	(1,75)	(1,84)	(1,95)	(2,05)
FREE CASH FLOW	(0,78)	(2,32)	0,83	0,86	1,50	2,48
Financial Management	(0,07)	(0,08)	(0,07)	(0,10)	(0,10)	(0,10)
Change in Payables to Banks	0,12	1,87	(0,41)	0,47	0,80	0,60
Change in Equity	2,52	0,20	-0,08	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY (FCFE)	1,79	(0,34)	0,26	1,24	2,20	2,98

Source: Websolute and Integrae SIM estimates

1.1 FY21A Results

Table 2 – Actual VS Estimates FY21A

€/mln	Sales	EBITDA	EBITDA %	EBIT	Net Income	NFP
FY21A	18,59	2,93	15,8%	0,97	0,47	2,41
FY21E	19,00	3,20	16,8%	1,50	1,01	0,97
Change	-2,2%	-8,3%	-1,1%	-35,4%	-53,4%	N.A

Source: Integrae SIM

Through a press release, the Company, commenting on the annual results, declares: *"We are extremely satisfied with the results achieved, in view of the ongoing problems, even in 2021, deriving from the Pandemic that have strongly affected the global economy. The Group has always managed to keep all operational activities and contact with customers active, and, thanks to the exploitation of synergies, it was able to record excellent performance in 2021, being able, moreover, to count on the possibility of planning production activities for 5/6 months. [...] The Group has planned commercial actions, the enhancement of innovative products and services created in relation to new market needs and continued its strategic path by investing resources so that positive effects can be produced thanks to the synergies that can be activated in the Group with economic results that already in 2021 began to produce their important and tangible effects. [...]"*.

The revenues amount to € 18.59 million compared to € 13.34 million at the end of 2020 and € 19.00 million estimated in our previous report. The growth compared to 2020 fully confirms the quality of the strategies adopted in the Group companies. Growth was possible mainly thanks to the Digital Marketing line, which shows an increase of 60% compared to last year, the New Media publishing line, which increased by 121% compared to 2020, and the Academy lines (+106%) and Augmented & Virtual Reality and Artificial Intelligence (+75%). The growth of the Digital Platforms, Social & influencer marketing and Brand UX/UI-Customer Journey lines is also significant, which increase compared to the previous year by 24%, 39% and 31% respectively.

EBITDA is equal to € 2.93 million, compared to € 1.42 million in the previous year and € 3.20 million expected. Consequently, the EBITDA Margin amounts to 15.8% compared to 10.7% in 2020 and 16.8% expected. The increase in marginality in 2021 was accompanied by higher operative and structural costs (which grew less than proportionally with respect to sales revenues) from the consolidation of the new companies acquired in 2020 and 2021, as well as a significant increase in media budget costs resold to customers. The internal staff has been used for development and investment activities allowing the creation of innovative products and services in line with new market needs.

EBIT amounts to € 0.97 million (€ 0.52 million in 2020) after amortization and depreciation of € 1.97 million. The value of EBIT in our estimates was € 1.50 million. Consequently, the EBIT Margin is 5.2%, against our estimates of 7.9%.

Net Profit amounted to € 0.47 million (€ 0.34 million in 2020), compared to an expected value of € 1.01 million.

The NFP goes from € 3.08 million to € 2.41 million. The improvement affirms the good level of cash elasticity of the Company. The better management of working capital and cash flows generated by operating activities has had a positive impact on the NFP, thus allowing the hedging of investment activity flows as well as the reduction of overall financial debt. On August 27, 2021, the Company also completed the treasury shares purchase program for an equivalent value of € 0.5 million.

1.2 FY22E – FY24E Estimates

Table 3 – Estimates Updates FY22E-24E

€/mln	FY22E	FY23E	FY24E
Sales			
New	23,0	27,0	33,0
Old	22,0	25,0	N/A
Change	4,5%	8,0%	N/A
EBITDA			
New	4,0	5,7	7,4
Old	4,5	6,0	N/A
Change	-11,1%	-5,0%	N/A
EBITDA %			
New	17,4%	21,1%	22,3%
Old	20,5%	24,0%	N/A
Change	-3,1%	-2,9%	N/A
EBIT			
New	2,0	3,7	5,3
Old	2,7	4,1	N/A
Change	-25,9%	-11,0%	N/A
Net Income			
New	1,0	2,0	2,8
Old	1,6	2,6	N/A
Change	-34,3%	-24,9%	N/A
NFP			
New	1,6	0,2	(2,1)
Old	0,1	(1,8)	N/A
Change	N.A	N/A	N/A

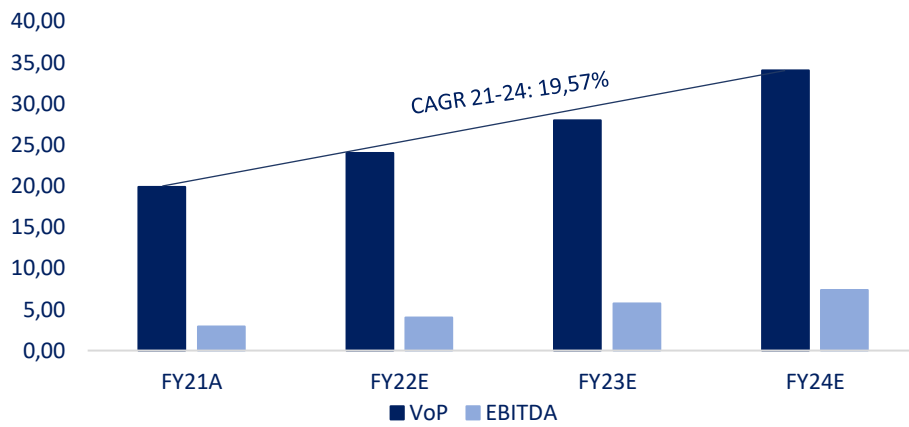
Source: Integrae SIM

In the light of the results published in the annual report for 2021A, we modify our previous estimates both for the current year and for the coming years.

In particular, we expect the 2022E revenues of € 23.00 million and EBITDA of € 4.00 million, corresponding to a marginality of 17.4%. For subsequent years, we expect the revenues to increase up to € 33.00 million (CAGR 21A-24E: 21.0%) in 2024E, with EBITDA of € 7.35 million (corresponding to an EBITDA margin of 22.3%), up from € 2.93 million in 2021A (corresponding to an EBITDA margin of 15.8%).

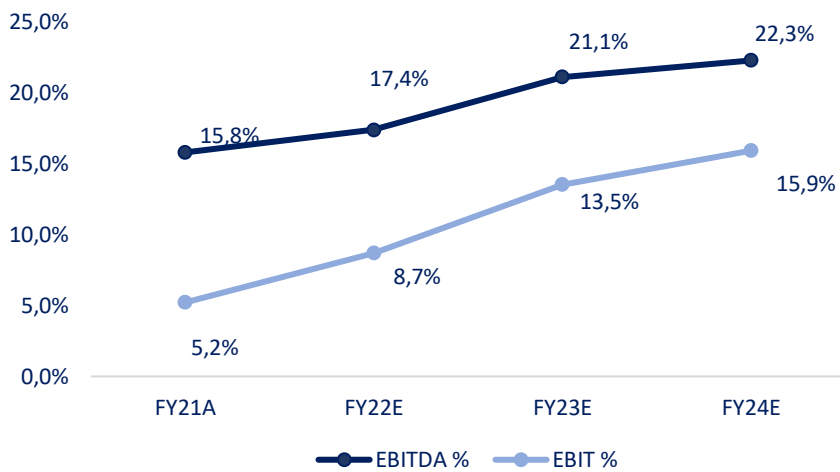
In terms of the Balance Sheet, however, we estimate a cash positive NFP equal to € 2.14 million for 2024E.

Chart 1 – VoP and EBITDA FY21A-24E



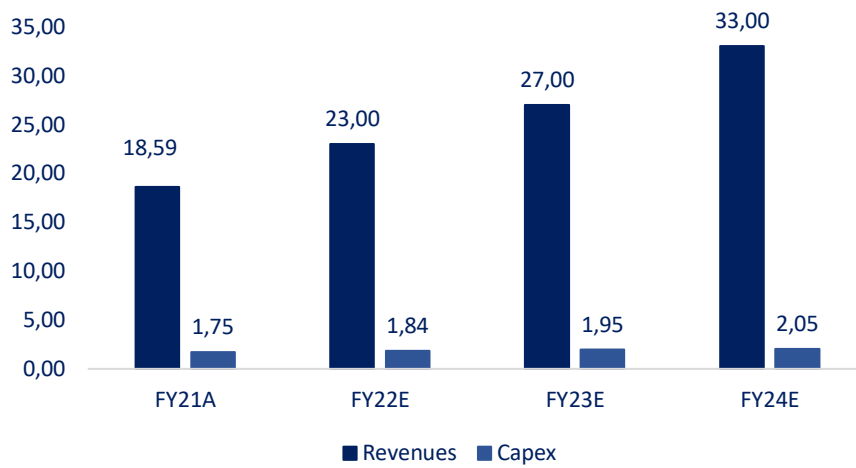
Source: Integrae SIM

Chart 2 – Margin FY21A-24E



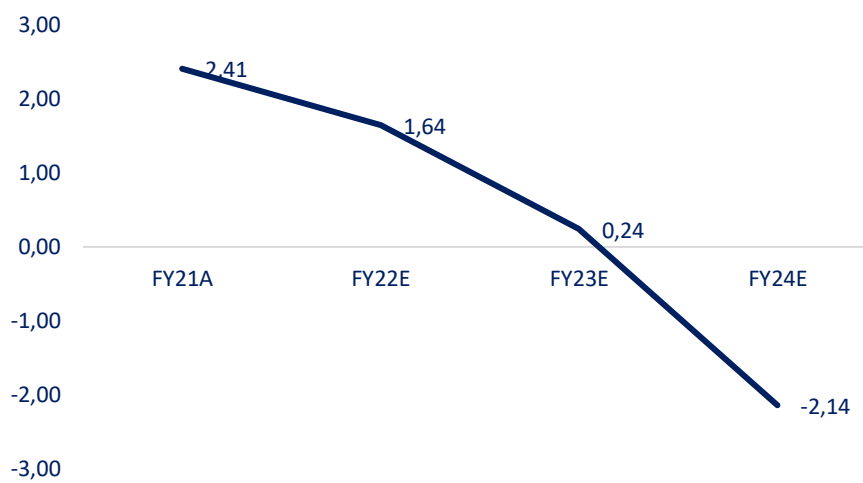
Source: Integrae SIM

Chart 3 – Capex FY21A-24E



Source: Integrae SIM

Chart 4 – NFP FY21A-24E



Source: Integrae SIM

2. Valuation

We conducted the evaluation 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		4,12%
Risk Free Rate	0,80% α (specific risk)	2,50%
Market Premium	6,42% Beta Adjusted	0,63
D/E (average)	100,00% Beta Relevered	1,08
Ke	7,35% Kd	1,25%

Source: Integrae SIM

For prudential purposes, we have included a specific risk of 2.5%. This results in a WACC of 4.12%.

Table 5 – DCF Valuation

DCF Equity Value		66,7
FCFO actualized	6,1	9%
TV actualized DCF	63,0	91%
Enterprise Value	69,1	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 € 66.7 million**.

Table 6 – Equity Value – Sensitivity Analysis

€/mln	WACC				
	3,1%	3,6%	4,1%	4,6%	5,1%
2,5%	327,8	181,2	124,9	95,1	76,7
2,0%	183,6	126,5	96,4	77,7	65,0
1,5%	128,2	97,6	78,7	65,8	56,5
Growth Rate (g)					
1,0%	98,9	79,7	66,7	57,2	50,1
0,5%	80,8	67,6	58,0	50,7	45,1
0,0%	68,4	58,7	51,4	45,6	41,0
-0,5%	59,5	52,1	46,2	41,5	37,7

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 ones used for the calculation of Beta for the DCF method.

Table 7 – Market Multiples

Company Name	EV/EBITDA (x)		
	2022E	2023E	2024E
Alkemy	7,6	6,6	N/A
Be Shaping the Future SpA	10,2	9,1	N/A
Triboo	2,5	N/A	N/A
Digital360	9,2	7,7	6,8
Neosperience	6,3	4,6	N/A
Relatech	7,0	5,6	5,0
Median	7,3	6,6	5,9

Source: Infinancials

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

- The first one larger, containing all the above-mentioned companies;
- The other 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	2022E	2023E	2024E
Enterprise Value (EV)			
EV/EBITDA	29,3	36,1	39,9
Equity Value			
EV/EBITDA	27,7	35,9	42,0
Average	27,7	35,9	42,0

Source: Integrae SIM

The equity value of Websolute using the market multiple EV/EBITDA, is equal to € 35.2 million. In this case, no discount was applied, since the companies considered in the calculation of the multiples are listed on Euronext Growth Milan.

2.3 Equity Value

Table 9 – Equity Value

Average Equity Value (€/mln)	50,9
Equity Value DCF (€/mln)	66,7
Equity Value multiples (€/mln)	35,2
Target Price (€)	5,25

Source: Integrae SIM

The result is an average equity value of € 50.9 million. **The target price is, therefore, € 5.25 (prev. €5.00). We confirm BUY rating and MEDIUM risk.**

Table 10 – Target Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	18,2x	13,3x	9,4x	7,3x
EV/EBIT	55,0x	26,7x	14,6x	10,2x

Source: Integrae SIM

Table 11 – Current Price Implied Valuation Multiples

Multiples	FY21A	FY22E	FY23E	FY24E
EV/EBITDA	9,9x	7,2x	5,1x	3,9x
EV/EBIT	29,9x	14,5x	7,9x	5,5x

Source: Integrae SIM

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15/05/2020	1,64	Buy	2,20	Medium	Update
02/10/2020	1,57	Buy	2,00	Medium	Update
26/04/2021	1,31	Buy	2,50	Medium	Update
27/09/2021	2,38	Buy	5,00	Medium	Update

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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		

Valuation methodologies (long term horizon: 12 months)

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- It operates or has operated in the past 12 months as the entity responsible for carrying out the activities of Euronext Growth Advisor of the Websolute SpA;
- It plays, or has played in the last 12 months, role of specialist financial instruments issued by Websolute SpA;
- In the IPO phase, Integrae SIM played the role of global coordinator.