

UPDATE

EQUITY RESEARCH

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Websolute

Euronext Growth Milan | Digital | Italy

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Rating

BUY

unchanged

Target Price

€ 5,00

prev. € 5,00

Risk



Medium

Upside potential

149,9%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 2,00
Target price	€ 5,00
Upside/(Downside) potential	149,9%
Ticker	WBS IM
Market Cap (€/mln)	€ 20,45
EV (€/mln)	€ 23,69
Free Float	25,05%
Share Outstanding	10.226.825
52-week high	€ 2,81
52-week low	€ 1,72
Average daily volumes (3 months)	6.000

Key Financials (€/mln)	FY22A	FY23E	FY24E	FY25E
Sales	21,5	23,7	26,5	30,0
EBITDA	2,1	4,7	5,4	6,3
EBIT	-0,2	2,2	3,0	4,0
Net Profit	-0,5	1,3	1,8	2,5
EPS (€)	-0,05	0,13	0,18	0,24
EBITDA margin	9,7%	19,6%	20,2%	20,8%
EBIT margin	-1,0%	9,1%	11,1%	13,2%
Net Profit margin	-2,4%	5,5%	6,8%	8,2%

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Stock performance	1M	3M	6M	1Y
Absolute	-10,31%	-9,91%	8,70%	-25,93%
to FTSE Italia Growth	-11,90%	-9,00%	1,82%	-16,20%
to Euronext STAR Milan	-11,45%	-10,62%	-11,34%	-17,71%
to FTSE All-Share	-15,57%	-16,97%	-25,20%	-36,69%
to EUROSTOXX	-16,11%	-14,93%	-21,40%	-39,04%
to MSCI World Index	-16,12%	-12,74%	-9,44%	-20,43%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	11,4 x	5,1 x	4,4 x	3,8 x
EV/EBIT	N/A	11,0 x	8,0 x	6,0 x
P/E	N/A	15,7 x	11,4 x	8,3 x

FY22A Results

At the end of FY22A, the Group reported revenues of € 21.54 million, up 15.9% on the previous period, amounting to € 18.59 million, and higher than our previous estimate (€ 21.00 million in FY22E). EBITDA amounted to € 2.08 million, down 29.0% on FY21A (when it amounted to € 2.93 million). Similarly, the EBITDA Margin went from 15.8% in FY21A to 9.7% in the period under review. EBIT stands at € -0.21 million, compared to the positive result of € 0.97 million in FY21A, and to our expectation of € 0.70 million. Net Income fell from € 0.47 million in FY21A to € -0.52 million as at December 31, 2022, lower than our previous estimate of € 0.33 million.

Estimates Update

In light of the results published in the Annual Report for FY22A, we have adjusted our estimates for both the current year and the coming years. In particular, we estimate an FY23E sales value of € 23.70 million, and an Adjusted EBITDA of € 4.65 million, corresponding to a margin of 19.6%. In the following years, we expect the value of sales to rise to € 30.00 million (CAGR 22A-25E: 11.7%) in FY25E, with an Adjusted EBITDA equal to € 6.25 million (corresponding to a margin of 20.8%), up from € 2.08 million in FY22A (corresponding to an Adjusted EBITDA Margin of 9.7%).

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 € 57.5 million. Using market multiples, the equity value of Websolute was calculated as € 44.7 million. The result is an average equity value of approximately € 51.1 million. The target price is € 5.00, with a 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	23,70	26,50	30,00
Other Revenues	1,31	1,25	1,30	1,30	1,30
Value of Production	19,89	22,79	25,00	27,80	31,30
COGS	0,64	1,00	1,20	1,30	1,40
Services	7,05	8,56	8,30	9,20	10,40
Use of Asset owned by Others	0,50	0,36	0,35	0,35	0,35
Employees	8,64	10,54	10,20	11,30	12,60
Other Operating Expenses	0,12	0,25	0,30	0,30	0,30
EBITDA	2,93	2,08	4,65	5,35	6,25
<i>EBITDA Margin</i>	<i>15,8%</i>	<i>9,7%</i>	<i>19,6%</i>	<i>20,2%</i>	<i>20,8%</i>
Non recurrent items	(0,15)	0,52	0,00	0,00	0,00
EBITDA Adjusted	2,79	2,61	4,65	5,35	6,25
<i>EBITDA Adjusted Margin</i>	<i>15,0%</i>	<i>12,1%</i>	<i>19,6%</i>	<i>20,2%</i>	<i>20,8%</i>
D&A	1,97	2,29	2,50	2,40	2,30
EBIT	0,97	(0,21)	2,15	2,95	3,95
<i>EBIT Margin</i>	<i>5,2%</i>	<i>-1,0%</i>	<i>9,1%</i>	<i>11,1%</i>	<i>13,2%</i>
Financial Management	(0,07)	(0,10)	(0,15)	(0,20)	(0,20)
EBT	0,90	(0,31)	2,00	2,75	3,75
Taxes	0,43	0,21	0,70	0,95	1,30
Net Income	0,47	(0,52)	1,30	1,80	2,45
Minorities Income	0,03	0,03	0,05	0,05	0,10

CONSOLIDATED BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Fixed Assets	7,26	7,92	6,95	6,05	5,25
Account receivable	5,67	6,69	7,35	8,20	9,25
Inventories	0,07	0,11	0,10	0,10	0,10
Account payable	1,35	1,63	1,70	1,90	2,20
Operating Working Capital	4,39	5,18	5,75	6,40	7,15
Other receivable	1,27	1,57	1,70	1,90	2,15
Other payable	3,27	3,35	3,50	3,70	4,00
Net Working Capital	2,38	3,40	3,95	4,60	5,30
Severance Indemnities & Other Provisions	2,03	2,52	2,60	2,70	2,80
NET INVESTED CAPITAL	7,62	8,81	8,30	7,95	7,75
Share Capital	0,19	0,20	0,20	0,20	0,20
Reserves and Retained Profits	3,67	4,97	4,42	5,67	7,42
Net Profit	0,45	(0,55)	1,25	1,75	2,35
Equity	4,31	4,62	5,87	7,62	9,97
Minorities Equity	0,90	0,95	1,00	1,05	1,15
Cash and Cash Equivalents	3,62	4,01	6,07	8,62	11,67
Short-Term Financial Debt	1,86	2,01	2,10	2,20	2,30
ML Term Financial Debt	4,16	5,24	5,40	5,70	6,00
Net Financial Position	2,41	3,24	1,43	(0,72)	(3,37)
TOTAL SOURCES	7,62	8,81	8,30	7,95	7,75

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E
EBIT	(0,21)	2,15	2,95	3,95
Taxes	0,21	0,70	0,95	1,30
NOPAT	(0,42)	1,45	2,00	2,65
D&A	2,29	2,50	2,40	2,30
Change in receivables	(1,03)	(0,66)	(0,85)	(1,05)
Change in inventories	(0,04)	0,01	0,00	0,00
Change in payables	0,28	0,07	0,20	0,30
Other Changes	(0,23)	0,02	0,00	0,05
Change in NWC	(1,02)	(0,55)	(0,65)	(0,70)
Change in Provisions	0,49	0,08	0,10	0,10
OPERATING CASH FLOW	1,35	3,48	3,85	4,35
Capex	(2,95)	(1,53)	(1,50)	(1,50)
FREE CASH FLOW	(1,60)	1,96	2,35	2,85
Financial Management	(0,10)	(0,15)	(0,20)	(0,20)
Change in Payables to Banks	1,22	0,26	0,40	0,40
Change in Equity	0,88	0,00	0,00	0,00
FREE CASH FLOW TO EQUITY	0,39	2,06	2,55	3,05

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).

FY22A Results

TABLE 2 – ACTUAL VS ESTIMATES FY22A

€/mln	Sales	EBITDA Adj.	EBITDA Adj. %	EBIT	Net Income	NFP
FY22A	21,54	2,61	12,1%	(0,21)	(0,52)	3,24
FY22E	21,00	2,96	14,1%	0,70	0,33	1,46
Change	2,6%	-11,9%	-2,0%	N/A	N/A	N/A

Source: Integrae SIM

Commenting on the annual results in a press release, the Group stated: *“The most significant elements of the 2022 financial year were the maintenance of the double-digit growth in revenues, with an acceleration in the second compared to first part of the year, the maintenance of a solid financial structure, and the recovery of operating margins in the second half, thanks to the actions implemented to make the Group more efficient in terms of structural costs, in light of the market context of the Russia-Ukraine conflict, the energy crisis and inflation having an impact on prices in almost all product sectors. In the second half of this past year, we created the conditions to take advantage of the relaunch of markets in 2023, leading to positive signals in terms of both the order backlog at the beginning of 2023 and the trend in turnover in the first two months of the current year compared to the corresponding period from the previous year.”*

At the end of FY22A, the Group reported revenues of € 21.54 million, up 15.9% on the previous period, amounting to € 18.59 million, and higher than our previous estimate (€ 21.00 million in FY22E). This growth testifies to the effectiveness of management choices that made it possible to record an increase in turnover in all of the Group’s business lines. Of particular note are the following business lines: *Digital Marketing +9.0%, Digital Platforms +5.0%, Social & Influencer Marketing +7.0%, Brand UX/UI-Customer Journey +33.0%, New Media Publishing +24.0%, Academy +51.0%, Augmented Virtual Reality and Artificial Intelligence +142.0%, E-commerce Strategy & Management +10.0%, Cloud & System Integration +7.0%, and Digital Strategy Consulting +66.0%.*

EBITDA amounted to € 2.08 million, down 29.0% on FY21A (when it amounted to € 2.93 million). Similarly, the EBITDA Margin went from 15.8% in FY21A to 9.7% in the period under review. First and foremost, this lower result is attributable to the increase in operating costs. In particular, the following negatively affected the margin:

- The increase in the incidence of the cost of services, partly due to costs of a non-recurring nature, which rose from 37.9% in FY21A to 39.8% in FY22A;
- The growth in the incidence of personnel costs, related to the hiring plan developed in the second half of 2022 and aimed at hiring managerial figures specialized in the strategic sectors of the organization (particularly marketing and operations), which rose from 46.5% in FY21A to 48.9% in FY22A.

On the other hand, there was a decrease in costs related to the use of third-party assets (equal to € 0.36 million in FY22A and € 0.50 million in FY21A), made possible by exercising the option to acquire the business unit of Sida Group Srl by W.Academy Srl on June 30, 2022, which allowed the conversion of sums paid in 2022 for leasing to advance payments and reductions in the purchase price. Regarding EBITDA during the period, a significant acceleration was seen in the second half of 2022. Indeed, against an EBITDA of € 0.89 million in 1H22A, a margin of € 1.20 million was reported in the second half of 2022. This result was lower than the equivalent figure of the previous year (€ 1.30 million). However, it should be noted that the benefits, in terms of lower costs brought in by the optimization and efficiency plan implemented by the group since June, are not fully appreciable in the results for the second half of 2022.

Also of note are non-recurring cost components (equal to € 0.52 million for FY22A), mainly referring to the one-off costs of bonuses paid to Websolute and Moca directors (accounted for in 2022 but referring to the 2020-2021 management period) and to the one-off redundancy indemnity paid to outgoing employees, as per the plan to reduce personnel costs and optimize the organizational structure, implemented from June 2022 onwards. In FY21A, the Group reported non-recurring costs of € - 0.15 million. Without considering the one-off cost components, the Adjusted EBITDA for FY22A stands at € 2.61 million, compared to a value at December 31, 2021 of € 2.79 million, with an Adjusted EBITDA Margin of 12.1% for FY22A, compared to 15.0% for FY21A. Both figures are lower than our previous estimates, which envisaged an absolute value of € 2.95 million, and an Adjusted Margin of 14.1%.

EBIT as at December 31, 2022 stood at € - 0.21 million, a clear decrease compared to the positive result of € 0.97 million in FY21A. The EBIT result was lower than our expectation of € 0.70 million for FY22A. In addition to the effect of the changes described above, the worsening of EBIT is attributable to the increase in depreciation related to 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. Net Income fell from € 0.47 million in FY21A to € - 0.52 million as at December 31, 2022, lower than our previous estimate of € 0.33 million.

The NFP as at December 31, 2022 showed a deterioration, reaching a value of € 3.24 million of debt compared to € 2.41 million as at December 31, 2021. The item is mainly impacted by the conversion of Warrant Websolute 2019-2022 (for € 0.95 million) and by the acquisition of the Academy business unit (for € 1.32 million). In FY22A, the Group made strategic investments in terms of know-how and internal tools, of production processes and products, of the creation of new platforms, of the re-engineering of platforms already on the market, and of organizational aspects in order to complete activities to strengthen and develop synergies with both internal and external activities.

FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E-25E

€/mln	FY23E	FY24E	FY25E
Sales			
New	23,70	26,50	30,00
Old	23,00	26,40	N/A
Change	3,0%	0,4%	N/A
EBITDA Adj.			
New	4,65	5,35	6,25
Old	3,70	5,40	N/A
Change	25,7%	-0,9%	N/A
EBITDA Adj. %			
New	19,6%	20,2%	20,8%
Old	16,1%	20,5%	N/A
Change	3,5%	-0,3%	N/A
EBIT			
New	2,15	2,95	3,95
Old	1,55	3,20	N/A
Change	38,7%	-7,8%	N/A
Net Income			
New	1,30	1,80	2,45
Old	0,80	1,68	N/A
Change	63,0%	7,3%	N/A
NFP			
New	1,43	(0,72)	(3,37)
Old	0,71	(1,77)	N/A
Change	N/A	N/A	N/A

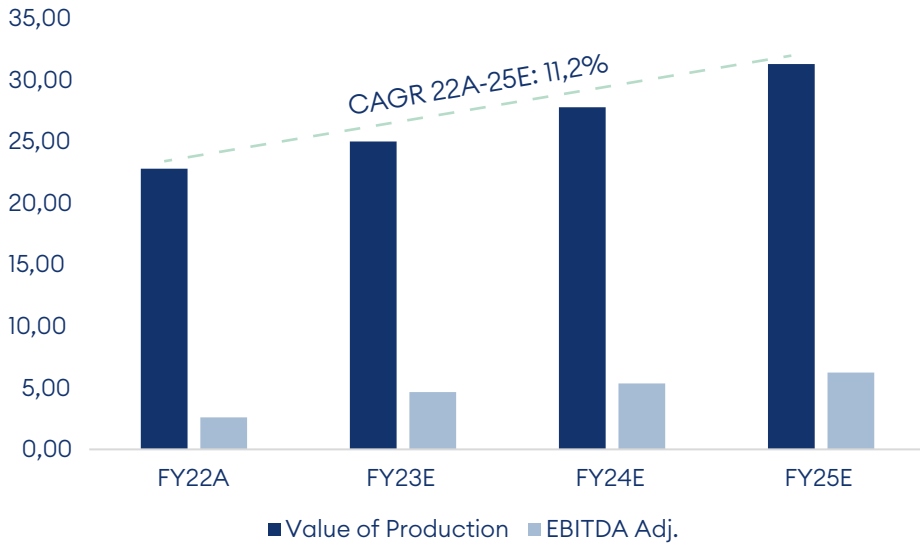
Source: Integrae SIM

In light of the results published in the Annual Report for FY22A, we have adjusted our estimates for both the current year and the coming years.

In particular, we estimate an FY23E sales value of € 23.70 million, and an Adjusted EBITDA of € 4.65 million, corresponding to a margin of 19.6%. In the following years, we expect the value of sales to rise to € 30.00 million (CAGR 22A-25E: 11.7%) in FY25E, with an Adjusted EBITDA equal to € 6.25 million (corresponding to a margin of 20.8%), up from € 2.08 million in FY22A (corresponding to an Adjusted EBITDA Margin of 9.7%).

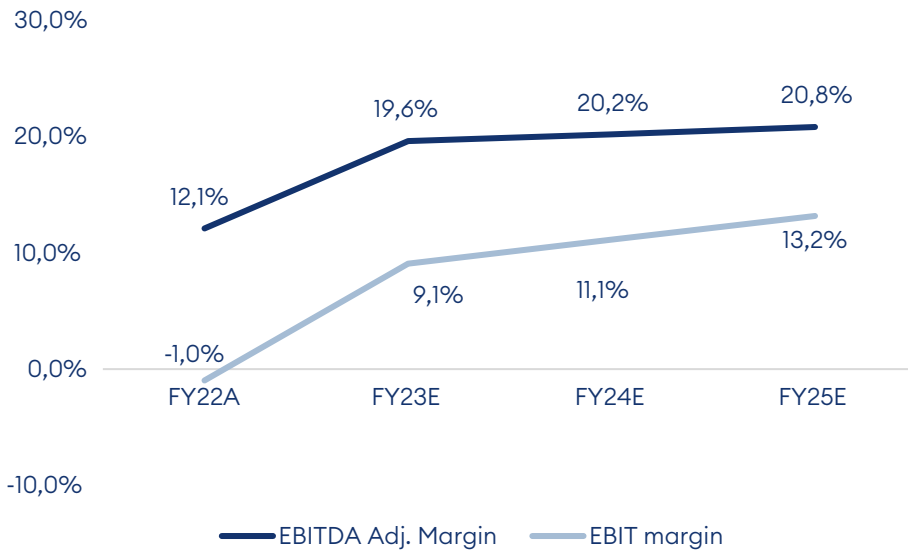
On the balance sheet, for FY25E, we estimate a cash positive NFP of € 3.37 million.

CHART 1 - VOP AND EBITDA FY22A-25E



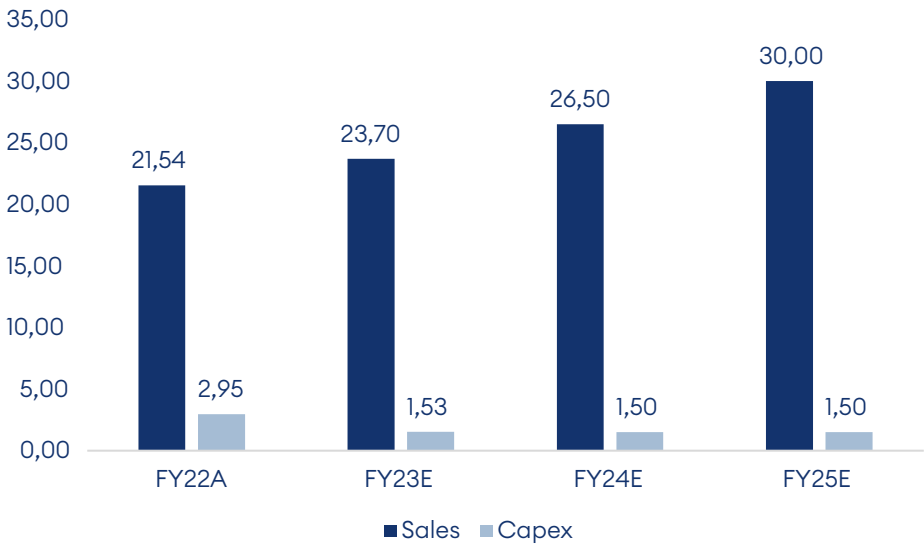
Source: Integrae SIM

CHART 2 - MARGIN FY22A-25E



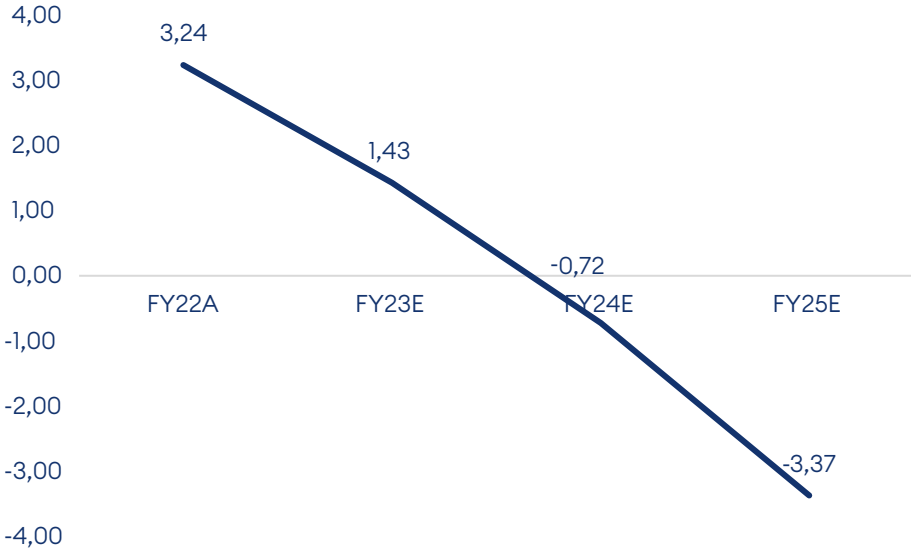
Source: Integrae SIM

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			5,93%
D/E 122,22%	Risk Free Rate 3,51%	β Adjusted 0,62	α (specific risk) 2,50%
K_d 1,25%	Market Premium 9,73%	β Relevered 1,17	K_e 12,07%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 5.93%.

TABLE 5 – DCF VALUATION

DCF	% of EV	
FCFO actualized	6,8	11%
TV actualized DCF	53,0	89%
Enterprise Value	59,9	100%
NFP (FY22A)	2,4	
Equity Value	57,5	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 57.5 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		4,4%	4,9%	5,4%	5,9%	6,4%	6,9%	7,4%
	2,5%	145,5	115,0	94,9	80,7	70,1	61,9	55,4
	2,0%	116,5	96,1	81,7	71,0	62,7	56,1	50,7
	1,5%	97,4	82,8	71,9	63,5	56,8	51,3	46,7
	1,0%	83,8	72,8	64,3	57,5	51,9	47,3	43,4
	0,5%	73,7	65,1	58,2	52,6	47,9	44,0	40,6
	0,0%	65,9	59,0	53,3	48,5	44,5	41,1	38,2
	-0,5%	59,7	53,9	49,2	45,1	41,6	38,6	36,0

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 consists of:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA		
	FY23E	FY24E	FY25E
Alkemy SpA	5,8 x	5,1 x	4,7 x
Digital360 SpA	5,4 x	4,6 x	4,3 x
Neosperience SpA	4,0 x	3,2 x	2,1 x
Reply SpA	12,5 x	11,3 x	10,2 x
Growens SpA	38,6 x	20,3 x	16,7 x
Tinexta SpA	13,2 x	11,4 x	9,8 x
Peer median	9,1 x	8,2 x	7,2 x

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
Enterprise Value (EV)			
EV/EBITDA	42,5	43,9	45,2
Equity Value			
EV/EBITDA	41,0	44,6	48,5
Average	41,0	44,6	48,5

Source: *Integrae SIM*

Using the EV/EBITDA market multiple, the equity value of Websolute is approximately € 44.7 million.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	51,1
Equity Value DCF (€/mln)	57,5
Equity Value multiples (€/mln)	44,7
Target Price (€)	5,00

Source: Integrae SIM

The result gives an average equity value of approximately € 51.1 million. **The target price is therefore € 5.00 (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	26,1x	11,7x	10,2x	8,7x
EV/EBIT	N/A	25,3x	18,4x	13,8x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	11,4 x	5,1 x	4,4 x	3,8 x
EV/EBIT	N/A	11,0 x	8,0 x	6,0 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
09/09/2022	2,21	Buy	5,25	Medium	Breaking News
06/10/2022	1,82	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 >= 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)

The methods that INTEGRAE SIM SpA prefers to use for value the company under analysis are those which are generally used, such as the market multiples method which compares average multiples (P/E, EV/EBITDA, and other) of similar shares and/or sectors, and the traditional financial methods (RIM, DCF, DDM, EVA etc). For financial securities (banks and insurance companies) Integrae SIM SpA tends to use methods based on comparison of the ROE and the cost of capital (embedded value for insurance companies).

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