

WEBSOLUTE

Strong set of FY19 results

Double-digit yoy revenue growth driven by high margin product lines:

Websolute closed FY 2019 results, its first as a listed company, with revenues of Euro 14.1 m. +10.3% vs. FY 18 and largely in line with our estimates (Euro 14.6 m). Growth was mainly driven by an increase in high margin product lines translating into an increase in EBITDA of +28% to Euro 2.1 m (Euro 1.7m in FY19) and an increase in EBITDA margin from 13.1% in FY18 to 15.2%. EBIT of Euro 0.9 m. that was somewhat below that of FY19 (Euro 1.1 m) following higher D&As partly related to the amortization of IPO costs. Net Profit was of Euro 0.5 m (Euro 0.7 m in FY18). The board has proposed a dividend of Euro 0.02 p.s.

Net Debt at the end of December 2019 stood at Euro 0.9 m, down significantly vs. FY18 (Euro 2.5m) in spite of the important capex (Euro 3.5 m) and a Euro 0.4 m dividend payment, thanks to the IPO related capital increase Euro 3.5 m and efficient management of working capital with a NWC/sales ratio falling from 15% to 10% in FY19.

Well diversified client base and high portion of recurring revenues to safeguard growth:

In line with strategic guidelines announced in IPO Websolute started off 2020 by taking further steps towards the strengthening of the direct and indirect commercial structure. Amid COVID-19, sales in 1Q120 continued to grow and the order portfolio currently allows coverage of production activities for up to about 4-6 months as the Group has continued to remain fully operational in smart working since mid-February. We believe that while the lockdown measures implemented in Italy (100% of Group's turnover) has limited operations for clients with a possible slowdown in the short term, this should remain a temporary event with no significant impact on the Group's medium-term growth outlook given the Group's well diversified client base, high level of recurring revenues (47%) and a business model exposed to Digital.

Following the above, we cut our FY20 top-line growth assumption, now assuming a c. +2% contraction (from a c. +17% yoy). In greater detail, we expect revenues to decline in 1H and gradually recover in the second part of the year. As regards FY21-22, we expect demand to experience a steady recovery. At balance sheet level, we included the dividend cash out for this year and we slightly adjusted NWC assumptions. Overall, this translates in an average cut in FY20-21 revenue and EBITDA of 17% and 29% respectively. Based on our new numbers, we move our valuation to 2.80 p.s.. from previous TP of Euro 3.66 p.s. Our new target price provides for an upside on current market price of +75%.

	Revenues (VoP)	Yoy %	EBITDA	EBITDA %	EBIT	EBIT %	Net Profit	Net Debt
2019E	14.1	+10%	2.1	15%	0.9	6%	0.5	0.9
2020E	14.4	2%	2.2	15%	1.0	7%	0.8	0.4
2021E	15.7	+12%	2.8	17%	1.5	9%	1.0	(0.8)
2022A	18.4	+17%	3.6	19%	2.1	11%	1.4	(2.5)

Sector: Technology

Target Price (Euro)	2.80	(3.66 pr)
Market Price (Euro)	1.60	
Market Cap (Euro m)	14	
EV (Euro m)	15	
<i>(as of May 18th, 2020)</i>		

Share Data

Market	AIM ITALIA
Bloomberg	WEB.IM
ISIN	IT0005384901
N. of Shares	8,648,950
Free Float	26.59%
CEO	Lamberto Mattioli

Aim Positioning

FY 2019	Company	AIM Sector	AIM Italia
VoP (Eu m)	14	35	43
Yoy	10%	27%	26%
EBITDA %	15%	17%	14%
ND/EBITDA (x)	1.4	0.4	3.8

Market Data	Company	AIM Sector	AIM Italia
Mkt Cap Eu m	14	64	46
Perf. YTD	-24%	-8%	-13%
Free Float	27%	31%	33%
ADTT YTD (Euk)	36	83	82

Performance

	1M	3M	6M
Absolute	3%	-29%	29%
Relative	4%	-17%	-18%
52-week High/Low (Eu)	0.96/2.87		

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