

UPDATE

EQUITY RESEARCH

# Websolute

Euronext Growth Milan | Digital | Italy

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Rating

**BUY**

unchanged

Target Price

**€ 4,20**

prev. € 4,70

Risk



Medium

Upside potential

**292,8%**

## Stocks performance relative to FTSE Italia Growth



### Stock Data

Price	€ 1,07
Target price	€ 4,20
Upside/(Downside) potential	292,8%
Ticker	WBS IM
Market Cap (€/mln)	€ 10,94
EV (€/mln)	€ 14,50
Free Float	28,89%
Share Outstanding	10.226.825
52-week high	€ 2,20
52-week low	€ 0,90
Average daily volumes (3 months)	11.739

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Revenues	19,78	23,00	25,80	28,90
EBITDA Adjusted	2,57	4,80	5,50	6,40
EBIT	0,18	2,30	3,00	3,90
Net Income	(0,46)	1,30	1,80	2,45
NFP	3,56	3,54	0,84	(2,56)
EBITDA margin	13,0%	20,9%	21,3%	22,1%
EBIT margin	0,9%	10,0%	11,6%	13,5%
Net Profit margin	n.m.	5,7%	7,0%	8,5%

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Stock performance	1M	3M	6M	1Y
Absolute	-7,0%	-18,3%	-40,6%	-46,5%
to FTSE Italia Growth	-7,1%	-16,4%	-41,2%	-32,5%
to Euronext STAR Milan	-7,7%	-17,0%	-51,6%	-42,5%
to FTSE All-Share	-7,0%	-28,6%	-59,0%	-67,0%
to EUROSTOXX	-7,0%	-29,6%	-59,3%	-61,5%
to MSCI World Index	-6,4%	-25,3%	-56,7%	-68,1%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	5,6x	3,0x	2,6x	2,3x
EV/EBIT	82,7x	6,3x	4,8x	3,7x
P/E	n/a	8,4x	6,1x	4,5x

## FY23A Results

At the end of the FY23A financial year, the Group had achieved revenues of € 19.78 million, marking an 8.2% decline from the € 21.54 million recorded for the previous period. EBITDA, at € 2.48 million, recorded an increase of 18.7% compared to € 2.08 million in 2022, but was down on our estimate of € 3.90 million. Likewise, the EBITDA margin went from 9.7% in the previous year to 12.5% in 2023. The EBIT for the period, after depreciation and amortization of € 2.30 million, amounted to € 0.18 million, marking a clear improvement on the result of € -0.21 million in FY22A. The Net Income came in at € -0.46 million, in line with the previous year's figure of € -0.52 million.

## Estimates Update

In light of the results published in the FY23A annual report, we have adjusted our estimates for both the current and the following years. In particular, we now estimate FY24E revenues of € 23.00 million, and an EBITDA of € 4.80 million, corresponding to a margin of 20.9%. In the following years, we expect revenues to reach € 28.90 million (CAGR 23A-26E: 13.5%) in FY26E, with EBITDA equal to € 6.40 million (corresponding to a margin of 20.8%), up from € 2.48 million in FY23A (corresponding to an EBITDA margin of 12.5%).

## 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 € 45.5 million. Using market multiples, the equity value of Websolute was calculated to be € 40.5 million. The result gives an average equity value of approximately € 43.0 million. The target price is € 4.20, with a BUY rating and MEDIUM risk.

# Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenues	21,54	19,78	23,00	25,80	28,90
Other revenues	1,25	1,69	1,50	1,50	1,50
<b>Value of Production</b>	<b>22,79</b>	<b>21,47</b>	<b>24,50</b>	<b>27,30</b>	<b>30,40</b>
COGS	1,00	0,88	1,00	1,10	1,20
Services	8,56	7,60	8,10	9,00	10,00
Use of asset owned by others	0,36	0,37	0,40	0,40	0,40
Employees	10,54	9,72	9,80	10,90	12,00
Other operating costs	0,25	0,43	0,40	0,40	0,40
<b>EBITDA</b>	<b>2,08</b>	<b>2,48</b>	<b>4,80</b>	<b>5,50</b>	<b>6,40</b>
<i>EBITDA Margin</i>	<i>9,7%</i>	<i>12,5%</i>	<i>20,9%</i>	<i>21,3%</i>	<i>22,1%</i>
Non recurrent items	0,52	0,10	0,00	0,00	0,00
<b>EBITDA Adjusted</b>	<b>2,61</b>	<b>2,57</b>	<b>4,80</b>	<b>5,50</b>	<b>6,40</b>
<i>EBITDA Adj. Margin</i>	<i>12,1%</i>	<i>13,0%</i>	<i>20,9%</i>	<i>21,3%</i>	<i>22,1%</i>
D&A	2,29	2,30	2,50	2,50	2,50
<b>EBIT</b>	<b>(0,21)</b>	<b>0,18</b>	<b>2,30</b>	<b>3,00</b>	<b>3,90</b>
<i>EBIT Margin</i>	<i>-1,0%</i>	<i>0,9%</i>	<i>10,0%</i>	<i>11,6%</i>	<i>13,5%</i>
Financial management	(0,10)	(0,46)	(0,50)	(0,50)	(0,50)
<b>EBT</b>	<b>(0,31)</b>	<b>(0,28)</b>	<b>1,80</b>	<b>2,50</b>	<b>3,40</b>
Taxes	0,21	0,18	0,50	0,70	0,95
<b>Net Income</b>	<b>(0,52)</b>	<b>(0,46)</b>	<b>1,30</b>	<b>1,80</b>	<b>2,45</b>
Minorities Income	0,03	0,10	0,05	0,10	0,15

CONSOLIDATED BALANCE SHEET (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Fixed Assets</b>	<b>7,92</b>	<b>7,20</b>	<b>7,80</b>	<b>6,40</b>	<b>5,00</b>
Account receivable	6,69	6,99	7,90	8,75	9,70
Inventories	0,11	0,13	0,15	0,15	0,15
Account payable	1,63	1,75	1,90	2,10	2,35
<b>Operating Working Capital</b>	<b>5,18</b>	<b>5,36</b>	<b>6,15</b>	<b>6,80</b>	<b>7,50</b>
Other receivable	1,57	1,73	1,95	2,20	2,45
Other payable	3,35	3,27	3,55	3,90	4,35
<b>Net Working Capital</b>	<b>3,40</b>	<b>3,82</b>	<b>4,55</b>	<b>5,10</b>	<b>5,60</b>
Severance Indemnities & Other Provisions	2,52	2,50	2,55	2,60	2,65
<b>NET INVESTED CAPITAL</b>	<b>8,81</b>	<b>8,52</b>	<b>9,80</b>	<b>8,90</b>	<b>7,95</b>

Share Capital	0,20	0,20	0,20	0,20	0,20
Reserves and Retained Profits	4,97	4,28	3,71	4,96	6,66
Net Profit	(0,55)	(0,57)	1,25	1,70	2,30
<b>Equity</b>	<b>4,62</b>	<b>3,92</b>	<b>5,17</b>	<b>6,87</b>	<b>9,17</b>
<b>Minorities Equity</b>	<b>0,95</b>	<b>1,05</b>	<b>1,10</b>	<b>1,20</b>	<b>1,35</b>
Cash and Cash Equivalents	4,01	1,92	3,61	6,06	8,86
Short-Term Financial Debt	2,01	2,56	2,50	2,90	2,90
ML Term Financial Debt	5,24	2,91	4,65	4,00	3,40
<b>Net Financial Position</b>	<b>3,24</b>	<b>3,56</b>	<b>3,54</b>	<b>0,84</b>	<b>(2,56)</b>
<b>TOTAL SOURCES</b>	<b>8,81</b>	<b>8,52</b>	<b>9,80</b>	<b>8,90</b>	<b>7,95</b>

CONSOLIDATED CASH FLOW (€/mln)	FY23A	FY24E	FY25E	FY26E
EBIT	0,18	2,30	3,00	3,90
Taxes	0,18	0,50	0,70	0,95
<b>NOPAT</b>	<b>(0,01)</b>	<b>1,80</b>	<b>2,30</b>	<b>2,95</b>
D&A	2,30	2,50	2,50	2,50
<b>Change in NWC</b>	<b>(0,42)</b>	<b>(0,73)</b>	<b>(0,55)</b>	<b>(0,50)</b>
Change in receivable	(0,29)	(0,91)	(0,85)	(0,95)
Change in inventories	(0,01)	(0,02)	0,00	0,00
Change in payable	0,13	0,15	0,20	0,25
Change in others	(0,24)	0,06	0,10	0,20
Change in provisions	(0,02)	0,05	0,05	0,05
<b>OPERATING CASH FLOW</b>	<b>1,85</b>	<b>3,63</b>	<b>4,30</b>	<b>5,00</b>
Capex	(1,57)	(3,10)	(1,10)	(1,10)
<b>FREE CASH FLOW</b>	<b>0,28</b>	<b>0,52</b>	<b>3,20</b>	<b>3,90</b>
Financial Management	(0,46)	(0,50)	(0,50)	(0,50)
Change in Financial debt	(1,77)	1,67	(0,25)	(0,60)
Change in equity	(0,14)	(0,00)	0,00	0,00
<b>FREE CASH FLOW TO EQUITY</b>	<b>(2,09)</b>	<b>1,70</b>	<b>2,45</b>	<b>2,80</b>

Source: Websolute Historical Data 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).

## FY23A Results

TABLE 2 – ACTUAL VS ESTIMATES FY23A

€/mln	Revenues	EBITDA Adj.	EBITDA Adj. %	EBIT	Net Income	NFP
FY23A	19,78	2,57	13,0%	0,18	(0,46)	3,56
FY23E	21,50	4,00	18,6%	1,70	1,00	2,03
Change	-8,0%	-35,6%	-5,6%	-89,7%	n.m.	n/a

Source: Integrae SIM

In the annual results press release, Websolute CEO Lamberto Mattioli commented: *“Thanks to the quality of the strategies adopted in 2023 and the relevance of the integrated commercial proposal, unique on the market in terms of breadth and depth, we believe that, in 2024, we can aspire to progress on a path of revenue growth with typical influenced by the structural interventions already adopted on the cost front. Specific strategies have been pursued to drive a positive trend in orders over the last few months of 2023, with good feedback in terms of order collection from December onwards, continuing in the first two months of the current year. For this reason, despite the 2.2% fall in productive consolidated adjusted sales revenues in 2023, partially explained by extraordinary factors independent of corporate management, and more than compensated by the 5.6% positive reduction of typical consolidated adjusted costs at a structural level, we believe we can aspire to a healthy growth of the business, through the optimization of structural costs, the positivity progress on the path followed in previous years, and investments, mergers and acquisitions in strategic core business verticals, aimed at building on business volumes and the continuing profitability driven by Group strategy oriented to leveraging commercial, production and organizational synergies, as we have been doing continuously for some time.”*

At the end of the FY23A financial year, the Group had achieved revenues of € 19.78 million, marking an 8.2% decline from the € 21.54 million recorded for the previous period. In order better understand this result, three factors in particular should be taken into account:

- Production orders from public entities went from a value of € 0.08 million in 2022 to € 0.29 million in 2023. These are included in the item “other revenues”, since although they were not invoiced but merely reported, they nonetheless fall within the sphere of productive activities;
- Marketed revenues experienced a decline of € 0.52 million compared to the previous year. These revenues, as the re-invoicing of costs incurred for customers, did not contribute to margins;
- The deconsolidation of Ws Webness and W-Mind brought about a negative change of € 0.60 million.

In light of the above, the “productive” turnover fell by just 2.2%.

Looking at individual product lines, growth was seen in Digital Marketing (up 6.0%), Cloud & System Integration (up 9.0%), and Augmented Virtual Reality and Artificial Intelligence (up 5.0%). Other product lines apparently saw a decline, though considering the above-mentioned factors, we note that the only line that effectively suffered a slowdown was E-Commerce Strategy & Management. On the other hand, the Academy and the Brand UX, UI and Customer Journey areas recorded growth of 25.0% and 12.0% respectively.

EBITDA, at € 2.48 million, recorded an increase of 18.7% compared to € 2.08 million in 2022, but was down on our estimate of € 3.90 million. Likewise, the EBITDA margin rose from 9.7% in the previous year to 12.5% in 2023. Typical costs fell by 8.3% compared to the previous period, due to normalization and the review of structural costs carried out in the second half of 2023. We note, in particular, non-recurring charges in 2023 for the liquidation of WS Webness and W-Mind, and in 2022 for one-off bonuses to Websolute and Moca directors (approved in 2022 but referring to the 2020-2021 management period) and for the one-off severance paid to leaving employees according to the personnel costs and organizational structure optimization policy launched in June 2022. Gross of these components, Adjusted EBITDA for the period came in at € 2.57 million, in line with the figure for the previous year of € 2.61 million, however with an increase in the Adjusted EBITDA margin, from 12.1% in 2022 to 13.0% in FY23A.

The EBIT for the period, after depreciation and amortization of € 2.30 million, amounted to € 0.18 million, marking a clear improvement on the result of € -0.21 million in FY22A. The Net Income came in at € -0.46 million, in line with the previous year's figure of € -0.52 million.

The NFP, as of December 31, 2023, recorded a slight decline, from € 3.24 million of debt in FY22A to € 3.56 million. During the year, Websolute made important strategic, productive and organizational investments, including in particular:

- **Strategic investments**, aimed at identifying targets in high-potential market niches, with a view to developing know-how and internal tools. Furthermore, during the year, the company W.Academy paid an earn-out of € 0.18 million to the transferee Sida Group, for having achieved the targets contractually agreed at the time of the investment;
- **Production and product investments**, aimed at developing and implementing innovative tools to enrich the offer catalog and maintain market leadership. Such investments were made during the year for the development of new platforms and innovation for existing platforms, concluding, in particular, the first phase of developments for the meta-verse and 4.0 technologies projects;
- **Organizational investments**, aimed at the strengthening of potential internal and external synergies, concerning, in particular, management, financial and accounting data. The activities carried out during the year developed highly strategic competences, which will enable further process efficiency improvements to be made in the coming years.

We note, as indicated in the press release of April 2, 2024, the acquisition of 70% of the capital of Lunghezza d'Onda, a company that owns Showefy®, a suite of latest generation software services specialized in product configuration and services management for the furniture sector. The Group will be able to further expand its offerings and exploit commercial opportunities in the sector through its large loyal customer base and innovative technological solutions that will extend the use of Showefy® to other fields of application areas. Lunghezza d'Onda itself will benefit from synergies with Websolute that allow it to accelerate its development and take advantage of the scalability of its business model, which demonstrated high profitability in 2023.

The acquisition saw the purchase of 70.0% of the capital of the target for an amount equal to € 3.47 million, financed by an unsecured loan of € 3.00 million, repayable in 5 years. The payment plan for the acquisition has already been launched, with the payment of € 2.93 million on April 2, 2024, and will continue as follows: € 0.31 million by April 22, 2024, € 0.11 million by January 15, 2025, and € 0.11 million by January 15, 2026. The agreement also envisages a purchase option in favor of Websolute for the remaining 30.0% of the shares, to be exercised within 5 years from the date of the press release, with the payment deadline 120 days from the exercising of the call. If this option is not exercised, after 5 years minimum, the minority founder shareholders will be able to exercise a put option for the remaining quantity of shares, to be exercised, under penalty of forfeiture, on the expiry date of the call option. Furthermore, a tag along option is included in favor of minority shareholders, in the event that Websolute sells its stake in Lunghezza d'Onda in the future. If exercised, the option would oblige the Issuer to agree on the transfer, under the same economic conditions, of the residual shares held by the minority shareholders.

## FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E-26E

€/mln	FY24E	FY25E	FY26E
<b>Revenues</b>			
New	23,00	25,80	28,90
Old	23,60	26,50	n/a
Change	-2,5%	-2,6%	n/a
<b>EBITDA</b>			
New	4,80	5,50	6,40
Old	4,80	6,10	n/a
Change	0,0%	-9,8%	n/a
<b>EBITDA %</b>			
New	20,9%	21,3%	22,1%
Old	19,1%	21,8%	n/a
Change	1,7%	-0,5%	n/a
<b>EBIT</b>			
New	2,30	3,00	3,90
Old	2,60	3,90	n/a
Change	-11,5%	-23,1%	n/a
<b>Net Income</b>			
New	1,30	1,80	2,45
Old	1,55	2,45	n/a
Change	-16,1%	-26,5%	n/a
<b>NFP</b>			
New	3,54	0,84	(2,56)
Old	(0,07)	(2,87)	n/a
Change	n/a	n/a	n/a

Source: Integrae SIM

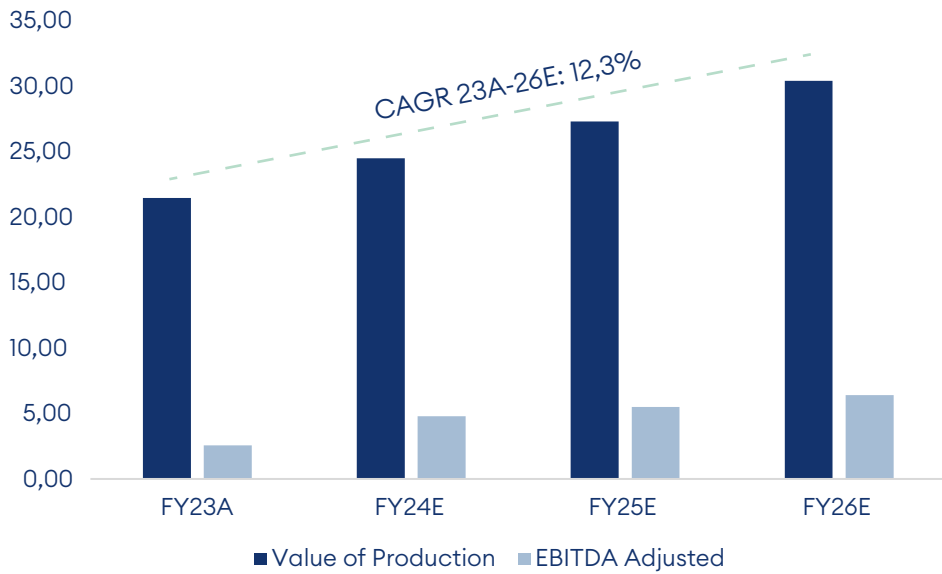
In light of the results published in the FY23A annual report, we have adjusted our estimates for both the current and the following years.

In particular, we now estimate FY24E revenues of € 23.00 million, and an EBITDA of € 4.80 million, corresponding to a margin of 20.9%. In the following years, we expect revenues to reach € 28.90 million (CAGR 23A-26E: 13.5%) in FY26E, with EBITDA equal to € 6.40 million (corresponding to a margin of 20.8%), up from € 2.48 million in FY23A (corresponding to an EBITDA margin of 12.5%).

On the balance sheet, we estimate a cash positive NFP of € 2.56 million for FY26E.

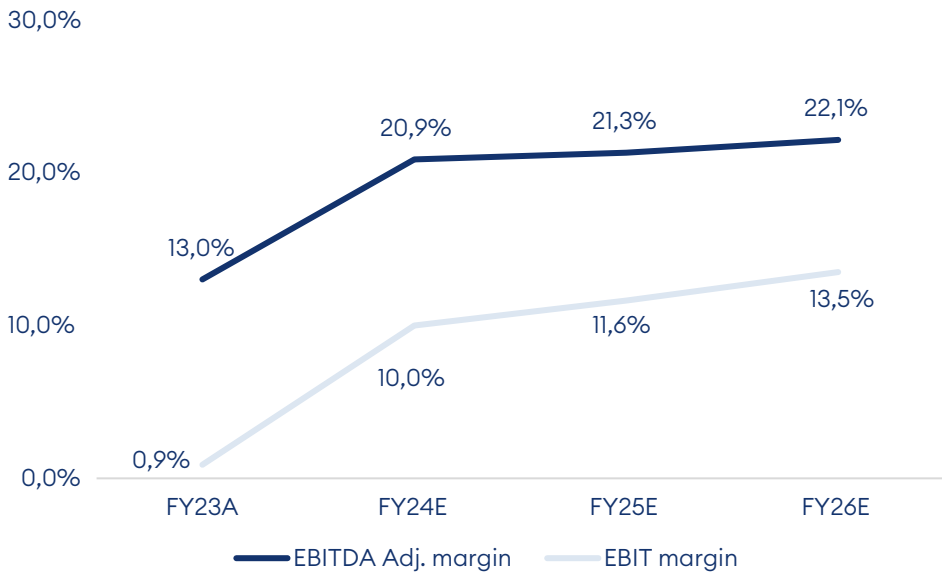


CHART 1 - VOP AND EBITDA FY23A-26E



Source: Integrae SIM

CHART 2 - MARGIN FY23A-26E



Source: Integrae SIM

CHART 3 – CAPEX FY23A-26E

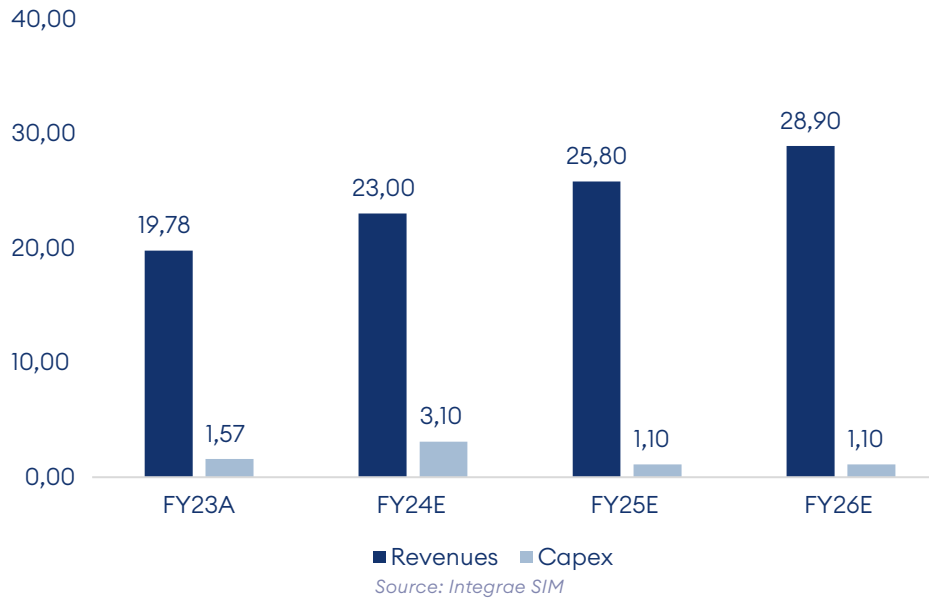
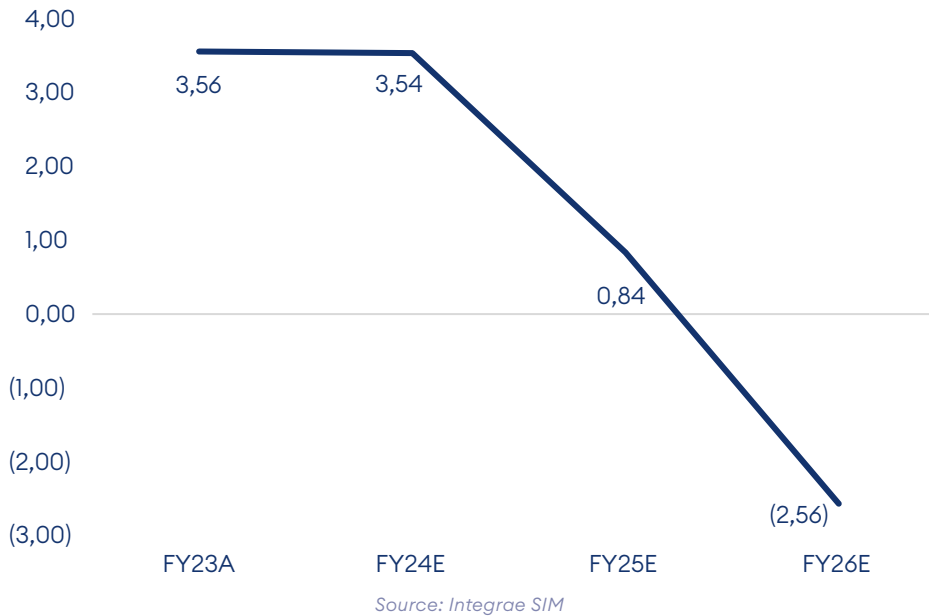


CHART 4 – NFP FY23A-26E



# 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				6,28%
D/E 150,00%	Risk Free Rate 3,14%	$\beta$ Adjusted 0,8	$\alpha$ (specific risk) 2,50%	
$K_d$ 3,50%	Market Premium 7,81%	$\beta$ Relevered 0,7	$K_e$ 11,92%	

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 6.28%.

TABLE 5 – DCF VALUATION

DCF		% of EV
FCFO actualized	6,3	13%
TV actualized DCF	42,7	87%
<b>Enterprise Value</b>	<b>49,0</b>	<b>100%</b>
NFP (FY22A)	3,6	
<b>Equity Value</b>	<b>45,5</b>	

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 45.5 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		4,8%	5,3%	5,8%	6,3%	6,8%	7,3%	7,8%
	3,0%	122,0	94,6	77,1	65,0	56,0	49,1	43,7
	2,5%	95,9	78,2	65,8	56,8	49,8	44,3	39,8
	2,0%	79,2	66,7	57,5	50,4	44,9	40,3	36,6
	1,5%	67,6	58,3	51,1	45,5	40,9	37,1	33,9
	1,0%	59,0	51,8	46,1	41,4	37,6	34,3	31,6
	0,5%	52,5	46,7	42,0	38,1	34,8	32,0	29,6
	0,0%	47,3	42,5	38,6	35,3	32,4	30,0	27,9

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 by:

TABLE 7 – MARKET MULTIPLES

Company Name	EV/EBITDA			EV/EBIT		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Neosperience SpA	6,4 x	5,1 x	4,3 x	19,8 x	9,9 x	8,4 x
Cyberoo S.p.A.	11,2 x	8,4 x	7,1 x	14,9 x	11,2 x	9,0 x
Reply S.p.A.	12,7 x	11,6 x	10,7 x	15,6 x	14,2 x	12,8 x
Growens S.p.A.	64,0 x	57,1 x	44,5 x	n.m.	n.m.	48,3 x
Tinexta SpA	7,4 x	6,5 x	5,8 x	9,9 x	8,2 x	7,2 x
<b>Peer median</b>	<b>11,2 x</b>	<b>8,4 x</b>	<b>7,1 x</b>	<b>15,3 x</b>	<b>10,5 x</b>	<b>9,0 x</b>

Source: *Infinancials*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E	FY26E
<b>Enterprise Value (EV)</b>			
EV/EBITDA	53,70	46,15	45,22
EV/EBIT	35,08	31,63	34,91
<b>Equity Value</b>			
EV/EBITDA	50,17	45,32	47,79
EV/EBIT	31,54	30,80	37,47
<b>Average</b>	<b>40,86</b>	<b>38,06</b>	<b>42,63</b>

Source: *Integrae SIM*

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Websolute is approximately € 40.5 million.

# Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	43,0
Equity Value DCF (€/mln)	45,5
Equity Value multiples (€/mln)	40,5
<b>Target Price (€)</b>	<b>4,20</b>

Source: Integrae SIM

The results give an average equity value of approximately € 43.0 million. **The target price is therefore € 4.20 (prev. € 4.70). We confirm a BUY rating and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	18,8 x	9,7 x	8,5 x	7,3 x
EV/EBIT	n.m.	20,2 x	15,5 x	11,9 x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	5,6x	3,0x	2,6x	2,3x
EV/EBIT	82,7x	6,3x	4,8x	3,7x

Source: Integrae SIM

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#### Equity Total Return (ETR) for different risk categories

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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		

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