

UPDATE

EQUITY RESEARCH

ISIM
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Websolute

Euronext Growth Milan | Digital | Italy

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Rating

BUY

unchanged

Target Price

€ 4,20

unchanged

Risk



Medium

Upside potential

175,5%

Key Financials (€/mln)	FY23A	FY24E	FY25E	FY26E
Revenues	19,78	22,40	25,10	28,10
EBITDA Adj.	2,57	4,00	5,40	7,00
EBIT	0,18	1,75	3,10	4,70
Net Profit	(0,46)	1,10	2,10	3,25
NFP	3,56	4,29	1,54	(2,31)
EBITDA Adj. margin	13,0%	17,9%	21,5%	24,9%
EBIT margin	0,9%	7,8%	12,4%	16,7%
Net Profit margin	n.m.	4,9%	8,4%	11,6%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 1,53
Target price	€ 4,20
Upside/(Downside) potential	175,5%
Ticker	WBS IM
Market Cap (€/mln)	€ 15,60
EV (€/mln)	€ 19,15
Free Float	22,35%
Share Outstanding	10.226.825
52-week high	€ 1,94
52-week low	€ 0,90
Average daily volumes (3 months)	22.692

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Stock performance	1M	3M	6M	1Y
Absolute	29,2%	39,3%	31,5%	-22,2%
to FTSE Italia Growth	29,1%	40,9%	33,4%	-15,3%
to Euronext STAR Milan	29,5%	44,6%	33,9%	-27,4%
to FTSE All-Share	27,3%	39,3%	33,0%	-37,4%
to EUROSTOXX	28,7%	40,5%	33,8%	-36,5%
to MSCI World Index	27,7%	36,1%	24,8%	-46,2%

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	7,4x	4,8x	3,5x	2,7x
EV/EBIT	109,2x	10,9x	6,2x	4,1x
P/E	n/a	14,2x	7,4x	4,8x

1H24A Results

At the end of the first half of 2024, the Group recorded revenues of € 11.09 million, an increase of 7.5% compared to 1H23A, where revenues amounted to € 10.32 million. EBITDA stood at € 2.02 million, showing a sharp increase (+46.3%) compared to € 1.38 million in 1H23A. Similarly, the EBITDA margin improved from 13.4% in 1H23A to 18.3% in the current period. EBIT as of June 30, 2024, was positive at € 0.91 million, showing a significant increase compared to the 1H23A result of € 0.21 million. Net Income for 1H24A also grew, reaching € 0.41 million, compared to a negative result of € -0.10 million in 1H23A. The NFP for the period under review stood at € 4.51 million, compared to € 3.56 million in FY23A.

Estimates Update

In light of the results published in the half-year report for 1H24A, we are revising our estimates for both the current year and the upcoming years. Specifically, we estimate FY24E sales revenue to be € 22.40 million, with an EBITDA of € 4.00 million, corresponding to a margin of 17.9%. For the following years, we expect sales revenue to increase to € 28.10 million (CAGR 23A-26E: 12.4%) by FY26E, with an EBITDA of € 7.00 million (corresponding to a margin of 24.9%). On the balance sheet side, we estimate a cash-positive NFP of € 2.31 million for FY26E.

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 € 50.8 million. Using market multiples, the equity value of Websolute was calculated to be € 35.2 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	22,40	25,10	28,10
Other Revenues	1,25	1,69	1,40	1,40	1,40
Value of Production	22,79	21,47	23,80	26,50	29,50
COGS	1,00	0,88	0,80	0,90	1,00
Services	8,56	7,60	8,70	9,40	10,20
Use of Asset owned by Others	0,36	0,37	0,40	0,40	0,40
Employees	10,54	9,72	9,70	10,20	10,70
Other Operating Expenses	0,25	0,43	0,20	0,20	0,20
EBITDA	2,08	2,48	4,00	5,40	7,00
<i>EBITDA Margin</i>	<i>9,7%</i>	<i>12,5%</i>	<i>17,9%</i>	<i>21,5%</i>	<i>24,9%</i>
Non recurrent items	0,52	0,10	0,00	0,00	0,00
EBITDA Adjusted	2,61	2,57	4,00	5,40	7,00
<i>EBITDA Adj. Margin</i>	<i>12,1%</i>	<i>13,0%</i>	<i>17,9%</i>	<i>21,5%</i>	<i>24,9%</i>
D&A	2,29	2,30	2,25	2,30	2,30
EBIT	(0,21)	0,18	1,75	3,10	4,70
<i>EBIT Margin</i>	<i>-1,0%</i>	<i>0,9%</i>	<i>7,8%</i>	<i>12,4%</i>	<i>16,7%</i>
Financial Management	(0,10)	(0,46)	(0,25)	(0,25)	(0,25)
EBT	(0,31)	(0,28)	1,50	2,85	4,45
Taxes	0,21	0,18	0,40	0,75	1,20
Net Income	(0,52)	(0,46)	1,10	2,10	3,25
Minorities Income	0,03	0,10	0,15	0,20	0,25

CONSOLIDATED BALANCE SHEET (€/mln)	FY22A	FY23A	FY24E	FY25E	FY26E
Fixed Asset	7,92	7,20	10,00	8,80	7,60
Accounts receivable	6,69	6,99	6,80	7,50	8,30
Inventories	0,11	0,13	0,15	0,15	0,15
Accounts payable	1,63	1,75	2,00	2,20	2,40
Operating Working Capital	5,18	5,36	4,95	5,45	6,05
Other Receivables	1,57	1,73	1,95	2,20	2,45
Other Payables	3,35	3,27	4,00	4,15	4,35
Net Working Capital	3,40	3,82	2,90	3,50	4,15
Severance Indemnities & Provision	2,52	2,50	2,55	2,60	2,65
NET INVESTED CAPITAL	8,81	8,52	10,35	9,70	9,10

Share Capital	0,20	0,20	0,20	0,20	0,20
Reserves and Retained Profits	4,97	4,28	3,71	4,66	6,56
Net Profit	(0,55)	(0,57)	0,95	1,90	3,00
Equity	4,62	3,92	4,87	6,77	9,77
Minorities Equity	0,95	1,05	1,20	1,40	1,65
Cash and Cash Equivalents	4,01	1,92	3,31	4,36	6,31
Short term financial debt	2,01	2,56	2,60	2,40	2,20
M/L term financial debt	5,24	2,91	5,00	3,50	1,80
Net Financial Position	3,24	3,56	4,29	1,54	(2,31)
TOTAL SOURCES	8,81	8,52	10,35	9,70	9,10

CONSOLIDATED CASH FLOW (€/mln)	FY23A	FY24E	FY25E	FY26E
EBIT	0,18	1,75	3,10	4,70
Taxes	0,18	0,40	0,75	1,20
NOPAT	(0,01)	1,35	2,35	3,50
D&A	2,30	2,25	2,30	2,30
Change in NWC	(0,42)	0,92	(0,60)	(0,65)
Change in receivable	(0,29)	0,19	(0,70)	(0,80)
Change in inventories	(0,01)	(0,02)	0,00	0,00
Change in payable	0,13	0,25	0,20	0,20
Change in others	(0,24)	0,51	(0,10)	(0,05)
Change in provisions	(0,02)	0,05	0,05	0,05
OPERATING CASH FLOW	1,85	4,58	4,10	5,20
Capex	(1,57)	(5,05)	(1,10)	(1,10)
FREE CASH FLOW	0,28	(0,48)	3,00	4,10
Financial Management	(0,46)	(0,25)	(0,25)	(0,25)
Change in Financial debt	(1,77)	2,12	(1,70)	(1,90)
Change in Equity	(0,14)	(0,00)	0,00	(0,00)
FREE CASH FLOW TO EQUITY	(2,09)	1,40	1,05	1,95

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).

1H24A Results

TABLE 2 – 1H24A VS 1H23A

€/mln	Revenues	EBITDA	EBITDA %	EBIT	Net Income	NFP
1H24A	11,09	2,02	18,3%	0,91	0,41	4,51
1H23A	10,32	1,38	13,4%	0,21	(0,10)	3,56*
Change	7,5%	46,3%	4,8%	322,4%	n/a	n/a

*NFP at 31/12/2023
Source: Integrae SIM

Through a press release commenting on the half-year results, Lamberto Mattioli, President and CEO of Websolute, stated: *“We are extremely satisfied with the results achieved in the first half, which show revenue growth and a significant improvement in margins, especially with a record increase in EBITDA, which stands at € 2.0 million with a margin of 17.2%. Notable is the growth of the AI services range and the investments in the business unit specializing in ‘Generative AI,’ an area in which we hold a significant competitive advantage, positioning us among the 20 companies listed on EGM where, according to the IRTOP Consulting ECM AI Observatory, artificial intelligence plays a key role in the value proposition. Thanks to the sound strategies adopted and the relevance of our integrated commercial offer, unique in the market for its breadth and depth, we believe that in 2024 we can aim for revenue growth in a context of characteristic profitability positively influenced by the structural interventions already undertaken on the cost front. Additionally, we have implemented specific strategies to foster a positive response in terms of order intake, with encouraging results in order collection in the first six months of the current fiscal year at the Group level. We are also working on the implementation of joint commercial actions with Lunghezza D’Onda Srl, aimed at maximizing synergies in the Home & Design sector, actions whose expected returns in terms of additional revenue and profitability are expected to materialize by the end of this year and early next year.”*

At the end of the first half of 2024, the Group recorded revenues of € 11.09 million, an increase of 7.5% compared to 1H23A, where revenues amounted to € 10.32 million. However, for an accurate interpretation of the data, some adjustments must be applied. Firstly, the de-consolidation of revenues from Ws Webness and W-Mind generated a positive adjustment of € 0.20 million. Simultaneously, the inclusion of Lunghezza D’Onda Srl in the consolidation perimeter resulted in a negative adjustment of € 0.29 million, ensuring the comparability between periods. Furthermore, the impact of commercialized revenues, that is, revenues derived from the recharging of costs incurred on behalf of clients with no impact on margins, resulted in a negative adjustment of € 0.33 million. The total adjustments amount to a negative € 0.42 million. Once the data is normalized to account for changes in the consolidation perimeter, it is observed that revenues from productive activities, that is, those directly tied to generating operating margins, show an increase of 3.5%.

Analyzing the specific growth of individual product lines contributing to revenue evolution, we see that the Digital Marketing line improved by 18.0%; the Virtual Reality, Augmented

Reality, and Artificial Intelligence line increased by 27.0%; Digital Platforms, software licenses, mobile apps, and Cloud & System Integration grew by 6.5%; and finally, Brand UX, UI, Customer Journey, Digital Strategy Consulting, and New Media recorded a growth of 77.0%. Consequently, the Value of Production for the first half of 2024 stands at € 11.77 million, an increase of 5.4% compared to the equivalent figure for 1H23A (€ 11.16 million).

EBITDA amounted to € 2.02 million, a sharp increase (+46.3%) compared to € 1.38 million in 1H23A. Similarly, the EBITDA margin improved from 13.4% in 1H23A to 18.3% in the current period. This result stems from the Group's planned decision to rationalize and enhance efficiency. Specifically, there was an 18.8% reduction in the consumption of raw materials, subsidiaries, and changes in inventories compared to 1H23A, mainly attributable to the decrease in costs related to the billing of commercialized sales revenues for shop merchandise, along with a 7.5% reduction in personnel costs. Conversely, service costs increased by 12.8%, solely due to media budget costs, which were entirely offset by corresponding revenues from client recharges.

EBIT as of June 30, 2024, calculated net of amortization and depreciation amounting to € 1.12 million, is positive at € 0.91 million, showing a significant increase compared to the 1H23A result of € 0.21 million. Net Income for 1H24A also grew, reaching € 0.41 million, compared to a negative result of € -0.10 million in 1H23A.

The NFP for the period under review stands at € 4.51 million, compared to € 3.56 million in FY23A. A significant improvement in the ability to generate cash flows emerges, with strong cash elasticity and liquidity levels, and improved Group autonomy and independence due to enhanced profitability performance, as evidenced by the overall net financial debt.

It should also be noted that during the period in question, the Group made various investments. As for strategic investments, in April, the acquisition of 70.0% of Lunghezza d'Onda Srl was completed for an amount of € 3.50 million. The acquired company owns Showefy, a SaaS-based software suite specializing in the 3D configuration of products for the furniture sector. The integration of Showefy into the Group's perimeter has allowed Websolute not only to continue its strategy of diversifying the services offered but also to expand its client base, leveraging cross-selling and up-selling dynamics. Showefy is adopted by numerous market leaders with international ambitions. Specifically, the platform enables companies in the furniture sector to efficiently and customizedly manage their internal and external processes, both from a B2B and B2C perspective. The Group will thus be able to leverage Lunghezza d'Onda's client portfolio, which includes high-end companies in the furniture sector, to initiate synergies aimed at enhancing the integrated offering of technological and digital services provided by the Group's companies, fostering mutual growth and deeper market penetration.

The acquisition represents a strategically important operation for Websolute, further strengthening its leadership position in the Home & Design sector, which it already successfully oversees.

Additionally, the Group continued to invest in the innovation of the products and services offered, developing new technological tools to enrich its catalog. To consolidate its market leadership, the Group has committed to anticipating trends and client needs, taking advantage of opportunities offered by technological evolution, with particular interest in generative artificial intelligence. To this end, a specialized business unit was established, supported by investments in advanced skills, dedicated tools, and proprietary technological infrastructure in the field of AI, which is expected to become increasingly central to the company's platforms. Specifically, the innovation process involved both the development of new platforms and the redesign of existing ones, such as the Bom (Back Office Manager) and Project applications, which are currently undergoing complete reengineering. At the same time, new solutions have been introduced for hosting, Brand Content management, and business process analysis. Thanks to the advanced technology employed, the Group is able to design applications capable of integrating various skills into a unified platform, with the goal of maximizing the efficiency of commercial investments, particularly those dedicated to pre-sale activities.

Finally, Websolute has also made organizational investments to create new functionalities, enhancing its internal and external synergies. These include tools for planning, managing, and controlling resources, with a focus on extracting financial and accounting information, even without the use of the Microsoft Business Central system. A database with dynamic dashboards and KPIs has been implemented, contributing to increased efficiency and profitability by allowing for faster identification of organizational inefficiencies.

FY24E – FY26E Estimates

TABLE 3 – ESTIMATES UPDATES FY24E-26E

€/mln	FY24E	FY25E	FY26E
Revenues			
New	22,40	25,10	28,10
Old	23,00	25,80	28,90
Change	-2,6%	-2,7%	-2,8%
EBITDA			
New	4,00	5,40	7,00
Old	4,80	5,50	6,40
Change	-16,7%	-1,8%	9,4%
EBITDA %			
New	17,9%	21,5%	24,9%
Old	20,9%	21,3%	22,1%
Change	-3,0%	0,2%	2,8%
EBIT			
New	1,75	3,10	4,70
Old	2,30	3,00	3,90
Change	-23,9%	3,3%	20,5%
Net Income			
New	1,10	2,10	3,25
Old	1,30	1,80	2,45
Change	-15,4%	16,7%	32,7%
NFP			
New	4,29	1,54	(2,31)
Old	3,54	0,84	(2,56)
Change	n/a	n/a	n/a

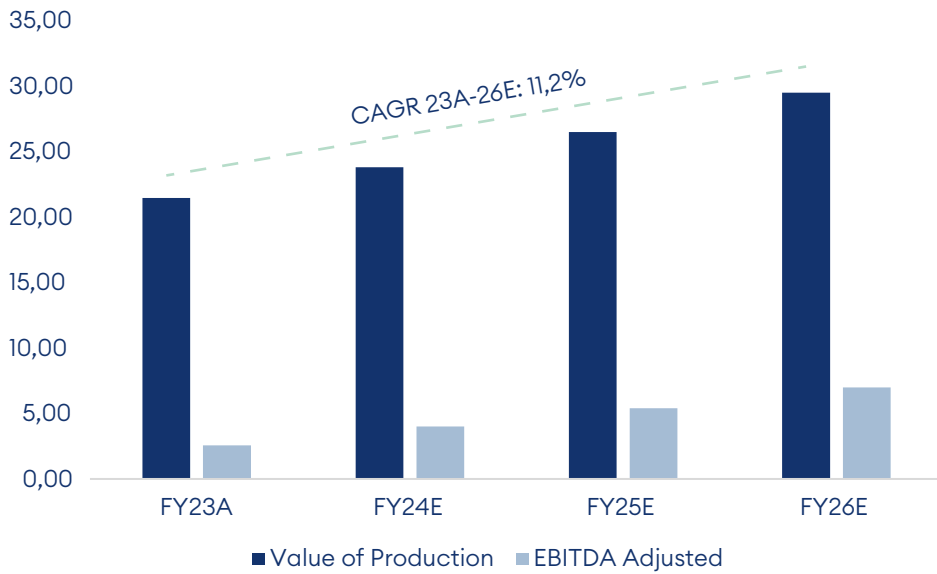
Source: Integrae SIM

In light of the results published in the half-year report for 1H24A, we are revising our estimates for both the current year and the upcoming years.

Specifically, we estimate FY24E sales revenue to be € 22.40 million, with an EBITDA of € 4.00 million, corresponding to a margin of 17.9%. For the following years, we expect sales revenue to increase to € 28.10 million (CAGR 23A-26E: 12.4%) by FY26E, with an EBITDA of € 7.00 million (corresponding to a margin of 24.9%).

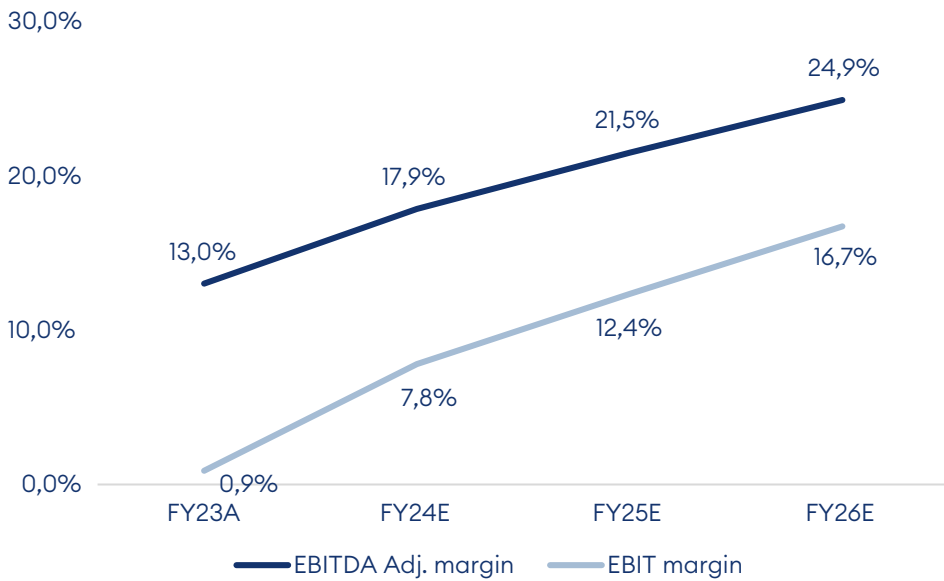
On the balance sheet side, we estimate a cash-positive NFP of € 2.31 million for FY26E.

CHART 1 - VOP AND EBITDA FY23A-26E



Source: Integrae SIM

CHART 2 - MARGIN FY23A-26E



Source: Integrae SIM

CHART 3 – CAPEX FY23A-26E

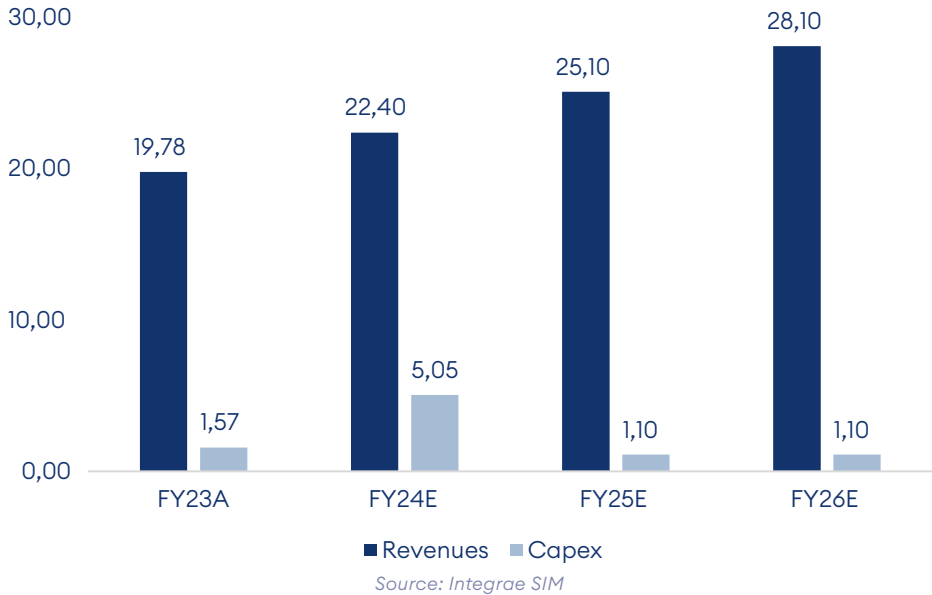
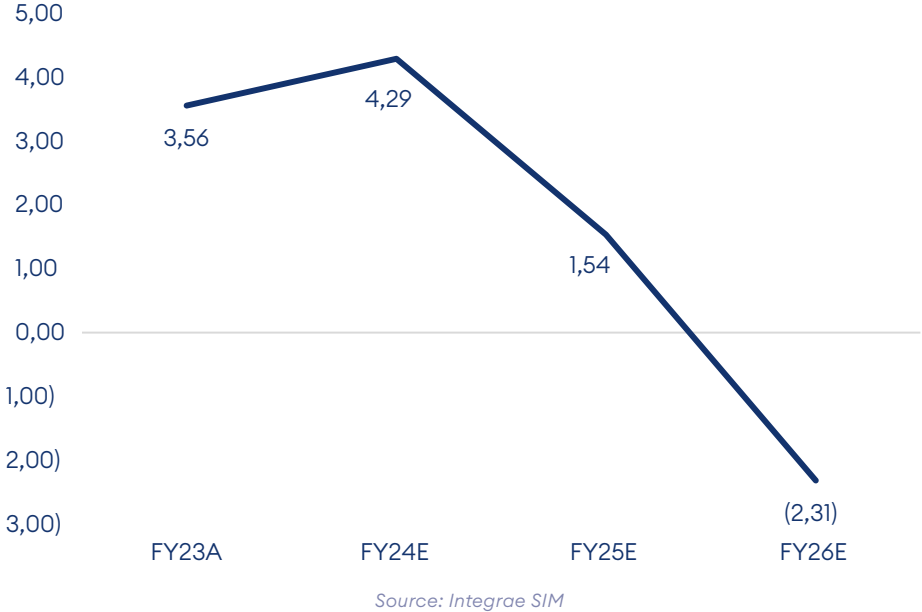


CHART 4 – NFP FY23A-26E



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			7,48%
D/E 66,67%	Risk Free Rate 2,94%	β Adjusted 0,8	α (specific risk) 2,50%
K_d 3,50%	Market Premium 6,80%	β Relevered 0,7	K_e 10,79%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 7.48%.

TABLE 5 – DCF VALUATION

DCF	% of EV
FCFO actualized	5,5 10%
TV actualized DCF	48,8 90%
Enterprise Value	54,3 100%
NFP (FY22A)	3,6
Equity Value	50,8

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 50.8 million**.

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		6,0%	6,5%	7,0%	7,5%	8,0%	8,5%	9,0%
	3,0%	103,2	87,7	76,1	67,1	59,9	54,0	49,1
	2,5%	88,7	77,0	67,8	60,6	54,6	49,7	45,5
	2,0%	77,8	68,6	61,2	55,2	50,2	46,0	42,3
	1,5%	69,4	61,9	55,8	50,8	46,5	42,8	39,6
	1,0%	62,6	56,4	51,3	47,0	43,3	40,1	37,2
	0,5%	57,1	51,9	47,5	43,8	40,5	37,7	35,2
	0,0%	52,5	48,1	44,3	41,0	38,1	35,6	33,3

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	5,8 x	4,5 x	3,6 x	46,8 x	12,8 x	6,9 x
Cyberoo SpA	10,1 x	7,8 x	6,4 x	14,0 x	10,3 x	8,2 x
Reply SpA	13,1 x	12,0 x	11,0 x	16,0 x	14,5 x	13,1 x
Growens SpA	n.m.	33,2 x	18,6 x	n/a	n/a	n.m.
Tinexta SpA	6,7 x	5,7 x	5,0 x	9,9 x	7,8 x	6,7 x
Peer median	8,4 x	7,8 x	6,4 x	15,0 x	11,5 x	7,6 x

Source: *Infanciais*

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY24E	FY25E	FY26E
Enterprise Value (EV)			
EV/EBITDA	33,57	42,12	44,80
EV/EBIT	26,25	35,79	35,53
Equity Value			
EV/EBITDA	29,29	40,58	47,11
EV/EBIT	21,97	34,25	37,85
Average	25,63	37,42	42,48

Source: *Integrae SIM*

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Websolute is approximately € 35.2 million.

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	43,0
Equity Value DCF (€/mln)	50,8
Equity Value multiples (€/mln)	35,2
Target Price (€)	4,20

Source: Integrae SIM

The results give an average equity value of approximately € 43.0 million. **The target price is therefore € 4.20 (prev. € 4.20). 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	11,6 x	8,6 x	6,6 x
EV/EBIT	265,2 x	26,6 x	15,0 x	9,9 x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Main Ratios	FY23A	FY24E	FY25E	FY26E
EV/EBITDA	7,4x	4,8x	3,5x	2,7x
EV/EBIT	109,2x	10,9x	6,2x	4,1x

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
02/10/2023	1,82	Buy	4,70	Medium	Update
16/04/2024	1,07	Buy	4,20	Medium	Update
30/05/2024	1,04	Buy	4,20	Medium	Breaking News
13/06/2024	1,15	Buy	4,20	Medium	Breaking News

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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)

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