

# WEBSOLUTE

**Double digit revenue growth in 2H20 (+10%), and +34% in the first two months of FY21**

**FY20 top-line growth above expectations:** In 2H20, the revenue trend improved more than expected driving FY20 revenues to Euro 14.8 m (+5% YoY, and vs. Euro 14.1 m exp.) with particular strong performance in Digital Marketing +7% (24% on total sales), E-Commerce Strategy & Management (+47%) and training & licensing (+44%), partially offset by a slight decrease in the other business lines, as the business mix was heavily influenced by pandemic related change in demand to which the Group was quick to adapt its product offering also thanks to the recent M&A activity. Good performance of the new businesses (W.Academy, More and W-Mind) which together posted revenues of approx. Euro 1.0 m. Revenues in 2H, were of Euro 8 m, up by +10% YoY after a strong recovery vs. a first half of the year in line with 1H19.

In terms of profitability, FY20 EBITDA was Euro 1.4 m (Euro 1.7 m exp) with a 9.6% EBITDA margin (11.7% exp.) vs. 15.2% as of priory year, following costs related to the integration of acquired companies and an increase in personnel expenses (+20%) reflecting a policy aiming at increasing internal competence and strengthen the organizational structure to better address future growth targets. Net profit of Euro 0.3 m came in slightly above our estimates (Euro 0.2 m) and was positively affected by lower D&As (Euro 0.9 m vs. 1.3 m in FY19) as the Group made recourse to the Covid related temporary suspension of depreciation rates for 2020 (total impact of Euro 0.6 m).

**Strategic Investments in R&D and M&A to further strengthen commercial offering.** Covid apart, FY20 was for Websolute characterized by strategic investments in product development and M&A and saw the launch of several new innovative products (Everyday Events, Virtual Showrooming, Digital sales etc.) and the foundation of W.Academy, the acquisitions of More (55%), an additional 20% stake in Moca Interactive, and a 51% stake in W-Mind, an AI and data science company through which the Group will be able to accelerate the integration of AI technologies into the customer experience offering. After total investments of c. Euro 2.9 m (including the acquisition of own shares for Euro 0.1 m) and the distribution of a dividend o Euro 0.2 m in June, Net Debt stood at Euro 3.1 m, up from Euro 0.9 m in FY19. Working Capital at the end of FY20 was of Euro 2.2 m, vs. Euro 1.2 m in FY19 after an increase in trade receivables and other current assets mainly related to IPO and R&D tax credits and prepaid taxes which according to Management, will have a positive effect on cash of Euro 0.5 m already in FY21. At the end of FY20, Net Equity was of Euro 4.8 m (Euro 4.3 m in FY10).

**FY21 off to a good start.** Looking at 2021, Management stated that current trading is showing promising signs, with revenues up by +34% at the end the first tow moths of the year. Management also highlighted that that the order portfolio has recorded an increase of +25% vs. the same period of last year and that the Group currently can prudentially rely on 5/6 months coverage of production capacity. The Group also recently announced the foundation, earlier this month, of WS Webness S.r.l., a Newco specialized in development and implementation of advanced technological e-commerce platforms.

**Outlook and Estimates:** We continue to believe the Group has the right portfolio of services and go-to-market approach to exploit the expected acceleration of the digital transformation in Europe, should remain a major growth driver over the coming months. We also believe that the Group's solid and well diversified client base, business model based on a high level of recurring revenues (>40%) and recent strategic investments in M&A and internal skills, lay a good ground for future growth. Based on the above and considering FY20 results we finetuned our estimates to factor in, on the one hand, an acceleration in FY21 of revenues to Euro 18.2 m (Euro 17.4 m previously), while on the other we slightly reduced our EBITDA margin to 12% (14% previously) expecting a progressive recovery in FY22 as the acquired companies are fully integrated in the product offering. Overall, we made an average FY21-22 adjustment in revenues and EPS of +4% and -2% respectively.

**Valuation:** Based on our new estimates and updated market data, we upgrade our target price to Euro 2.55 p.s. (Euro 2.30 p.s. previously), providing for a +94% upside on current stock price and obtained by weighting 60%/40% the DCF and the multiple comparison analysis.

## Sector: Technology

Target Price (Euro)	<b>2.55</b> (2.30 pr)
Market Price (Euro)	1.31
Market Cap (Euro m)	13
EV (Euro m)	16

As of April 23<sup>rd</sup>, 2021

### Share Data

Market	AIM Italia
Reuters/Bloomberg	WEB:IM
ISIN	IT0005384901
N. of Shares	9.513.843
Free Float	24.62%
CEO	Lamberto Mattioli

### Financials

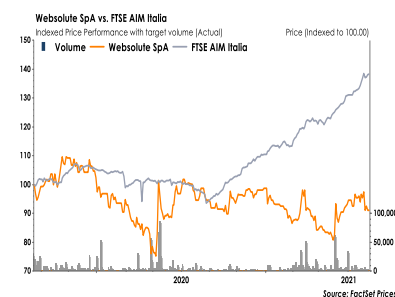
	2020A	2021E	2022E
<b>Revenues</b>	<b>14.8</b>	<b>18.2</b>	<b>19.9</b>
YoY %	+5%	+23%	+10%
<b>EBITDA</b>	<b>1.4</b>	<b>2.2</b>	<b>3.0</b>
EBITDA %	10%	12%	15%
<b>EBIT</b>	<b>0.5</b>	<b>0.7</b>	<b>1.4</b>
EBIT %	4%	+4%	7%
<b>Net Income</b>	<b>0.3</b>	<b>0.5</b>	<b>1.0</b>
<b>Net Debt / (Cash)</b>	<b>3.1</b>	<b>2.6</b>	<b>1.2</b>
<b>Group's Net Equity</b>	<b>3.9</b>	<b>4.3</b>	<b>5.1</b>

### Performance

	1M	3M	6M
Absolute	+3%	-0%	-8%
Relative (FTSE AIM Italia)	-5%	-18%	-35%
52-week High/Low (Eu)	1.74		1.08

### IR TOP RESEARCH

**Luisa Primi** – l.primi@irtop.com  
T +39 02 89056957



Source: FactSet Prices