

IDNTT

Steady and solid growth proceeds for the third consecutive year

Sector: Technology Services

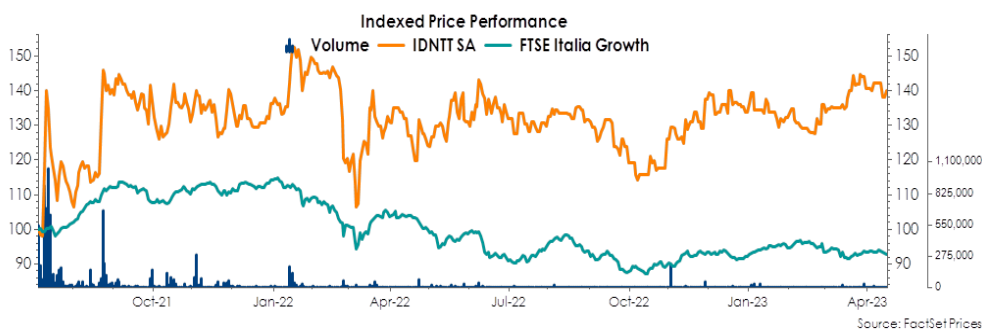
FY22 sales at Euro 9.9 m, largely above our expectations. In a far from simple year, such as 2022, characterized by the aftermath of the Covid-19 pandemic, rising energy prices and the protracted conflict in Ukraine (erupted at the end of February), IDNTT has shown once again a very high, quick and successful capacity to adapt in the digital sector environment, quite something else that easily predictable. In 2H22 total revenue trend driving FY22 results to Euro 9.9 m (vs. Euro 9.4 m expected), recording a consistent growth of +17% compared to Euro 8.5 m in the previous year: FY21 was already up 44% and FY20 up 40% compared to previous reporting years.

Including the 12-month consolidation of "In-Sane!", acquired in mid-November 2022 (see our Update Note of December 5th, 2022), pro-forma revenues reach a level of Euro 19.6 m, as "In-Sane!" sales revenues reported Euro 10.1 m vs. our estimates of Euro 5 m. Such a significant growth, for the third consecutive year, was possible thanks to joint effect of the consolidation of relationships with all major customers, as well as the acquisition of new multi-year orders, while keeping the quality of services high and monitoring costs through the very high flexible Group's business model.

Revenues breakdown by type of customer (see table on pages below) highlights the excellent performance of the Public Administration (+59% vs. FY21), which accounts for 30,7% of total revenues, despite the change of government that physiologically generates slowdowns in contract stipulations and renewals. This is followed by the growth of Enterprises area (+17% YoY), which represent 60,5% of revenues while the SME area shows a contraction (Euro 0.9 m in 2022 compared to Euro 1.4 m in 2021), due to lower investments by small companies that are more sensitive to the uncertainty context.

Profitability at a very good level and cash positive NFP physiologically reduced. FY22 EBITDA was Euro 2.7 m (Euro 2.5 m expected) with a 27% EBITDA margin (29% expected) vs. 29% as of priory year: the slightly contraction in marginality is due to higher costs in the start-up of foreign operations and hiring of new professional figures dedicated to IDNTT's dimensional growth. Net profit of Euro 1.4 m came in slightly below our estimates (Euro 1.7 m) with a jump of 49% compared to Euro 0.9 m achieved in FY20. Net debt at the end of the period considered was of Euro 1.9 m vs. Euro 2.8 m, always cash positive, registered in FY21: this result is amply justified by extraordinary cash out of Euro 2.1 m, due to the acquisition of 60% of "In-Sane!"'s share capital, and Euro 0.3 m in buy-backs.

Estimate revision and valuation. Given the above, we have revised and increased our FY23 estimates, including the view on FY25E forecasts, so we are going to expect an EBITDA margin of c. 19% hence implying a FY23 EBITDA of Euro 3.9 m (Euro 4.8 m pr.): thus, considering an increase in service costs due to a full contribution from "In-Sane!" to the entire Group. Net Income is expected to reach Euro 2.6 m and we're also upward our expectations for FY24 now assuming sales of Euro 23.1 m, as we expect an higher intake from "In-Sane!" sales performance. Based on our updated estimates and peers' multiple re-rating since our last update in December 2022, we set a new target price of Euro 6.4 p.s. (6.22 pr.) providing for an upside on current stock price of 82%. Our valuation was obtained by weighting equally the DCF and the multiple comparison analysis. At our target price the stock would be trading at FY23E/24E EV/EBITDA multiples of 12.4x and 9.2x.



Target Price **6.40 (6.22 pr.)**

Price (€ m) **3.5**

Market Cap (€ m) **26.4**

EV (€ m) **24.4**

As of April 19th, 2023

Share Data

Market	Euronext Growth Milan
Reuters/Bloomberg	IDNTT:IM
ISIN	CH1118852594
N. of Shares	7.486.476
Free Float	36.42%
CEO	Christian Traviglia

Financials

	2022A	2023E	2024E	2025E
Sales	9.9	20.8	23.1	25.2
YoY %	+17%	+110%	+11%	+11%
EBITDA	2.7	3.9	4.5	5.2
EBITDA %	27%	19%	20%	21%
EBIT	2.3	3.4	4.1	4.7
EBIT %	23%	16%	18%	19%
Net Income	1.4	2.6	3.0	3.5
Net Debt	(1.9)	(2.4)	(5.2)	(10.6)

Performance

	1M	3M	6M
Absolute %	2.0	5.1	18.1
Relative (FTSE Italia Growth)	1.1	8.0	13.8
52-week High/Low (Eu)	3.7	/	2.7

As Of April 19th, 2023

Research Department of



Edoardo Fumagalli

e.fumagalli@irtop.com