

EQUITY RESEARCH

DHH S.P.A
RESULTS REVIEW

BUY

TP 30.2€

Up/Downside: 20%

FY24, revenues above expectations and net income +66%

DHH FY24: Revenue +7% YoY at € 37.1mn (above expectations) with recurring revenues c. 94%, EBITDA +15% YoY at € 12.0mn, EBITDA and EBIT margins up sharply (around +220bps and +420bps YoY). The company continues to show resilience in a context where, despite the weight of the major players, it stands out thanks to its "local-for-local" model. Conference call with management today, March 24 at 3:00 PM CET

DHH reported the FY 2024 results on March 21, marking a strong increase in profitability and high-single-digit revenue growth (despite Broadcom's acquisition of VMWare, which weighed on SeeWeb), with an improvement in the NFP. Below are the main figures and highlights:

- **CA:** € 37.1mn (+7 % YoY), +3% vs. att. ;
- **EBITDA:** € 12mn (+16% YoY), in line with expectations. **EBITDA margin** 32.4% vs 30.1% (c. +220bps);
- **EBIT:** € 6.8mn (+39 % YoY). **EBIT margin** 18.4 % vs 14.1 % (c. +420bps) ;
- **Net income:** € 3.7mn (+68% YoY);
- **NFP:** € 3.1mn vs € 6.7mn (debt reduction, in the absence of M&A transactions in 2024).

Growth was entirely organic, due to the absence of additional M&A deals, and the company is showing resilience by benefiting from high geographical and sector diversification (peculiar in the small/mid cap segment). **Important points to mention: (1) Connesi, the second largest company in the group, recorded an increase of +15%, contributing to the expansion in the connectivity segment; (2) All geographical areas showed growth, with a particularly strong performance in Switzerland and the Balkan region, while the main market remains Italy (Italy € 24.3mn +6%, Slovenia € 3.1mn +9%, Croatia € 3.4mn +10%, Serbia € 0.8mn +7%, Switzerland € 0.9mn +11%, Bulgaria € 3.3mn +2%).**

Pending further clarification regarding the company's outlook during the conference call with the management today, March 24 at 3PM CET, and **in light of the remarkable growth rates boasted, we confirm our BUY recommendation and the TP at €30.2.**

Key data

Price (€)	25.2
Industry	Data Processing Services
Ticker	DHH-IT
Shares Out (m)	4.792
Market Cap (m €)	120.8
Next event	22 November (3Q)

Source: FactSet

Ownership (%)

Antonio Baldassarra	33.6
Daniele e Marianna Vona	32.5
Alkemia SGR	5.0
Free float	23.7

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	0.79	1.01	1.14
Change vs previous estimates (%)	-7.63	5.23	4.98

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	8.6	-3.1	62.6
Rel FTSE Italy	9.0	-4.9	41.8



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	33.7	37.1	40.0	43.1	EV/Sales	3.3	3.0	2.7
Current Op Inc (m €)	5.1	7.0	8.4	9.3	EV/EBITDA	10.3	8.9	8.0
Current op. Margin (%)	15.1	18.8	21.1	21.7	EV/EBIT	17.7	14.3	12.3
EPS (€)	0.46	0.79	1.01	1.14	PE	32.0	24.8	22.1
DPS (€)	0.00	0.00	0.00	0.00	Source: TPICAP Midcap			
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	3.7	3.4	3.9	4.9				

Analyst

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	19.6	28.6	33.7	37.1	40.0	43.1
Changes (%)	na	46.4	17.7	10.1	7.9	7.6
Gross profit	18.6	26.8	31.7	34.8	37.6	40.4
% of Sales	94.9	93.6	94.0	94.0	93.9	93.8
EBITDA	6.9	7.4	10.4	12.0	13.4	14.5
% of Sales	35.5	25.8	30.9	32.3	33.6	33.6
Current operating profit	3.7	3.1	5.1	7.0	8.4	9.3
% of Sales	18.7	10.8	15.1	18.8	21.1	21.7
Non-recurring items	-0.1	-0.3	-0.2	-0.2	-0.1	-0.2
EBIT	3.6	2.8	4.9	6.8	8.3	9.2
Net financial result	-0.2	-0.4	-0.8	-0.8	-0.8	-0.8
Income Tax	-0.3	-1.5	-1.9	-2.2	-2.6	-2.9
Tax rate (%)	-7.9	-62.7	-45.4	-37.0	-35.0	-35.0
Net profit, group share	3.2	0.7	2.2	3.8	4.9	5.5
EPS	0.66	0.18	0.46	0.79	1.01	1.14
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	9.7	10.5	10.4	10.2	10.1	9.9
Tangible and intangible assets	6.8	16.3	17.3	17.8	18.6	19.4
Right of Use	5.1	4.9	4.8	5.0	4.9	5.0
Financial assets	0.8	2.0	1.7	1.7	1.7	1.7
Working capital	-1.3	-2.4	-2.9	-3.1	-2.6	-2.7
Other Assets	1.5	1.5	1.5	1.5	1.5	1.5
Assets	22.6	32.8	32.9	33.2	34.2	34.8
Shareholders equity group	19.3	22.0	23.1	26.9	31.7	37.2
Minorities	0.6	2.1	0.6	0.6	0.6	0.6
LT & ST provisions and others	0.5	0.7	0.8	0.8	0.8	0.8
Net debt	1.2	6.3	6.7	3.3	-0.6	-5.5
Other liabilities	0.9	1.6	1.6	1.6	1.6	1.6
Liabilities	22.6	32.8	32.9	33.2	34.2	34.8
Net debt excl. IFRS 16	1.2	6.3	6.7	3.3	-0.6	-5.5
Gearing net	0.1	0.3	0.3	0.1	-0.0	-0.1
Leverage	0.2	0.8	0.6	0.3	-0.0	-0.4
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	6.5	7.2	8.9	9.0	10.0	10.8
ΔWCR	-0.7	0.2	0.2	0.2	-0.5	0.1
Operating cash flow	5.7	7.4	9.1	9.2	9.5	10.9
Net capex	-3.5	-2.5	-5.4	-5.7	-5.7	-6.0
FCF	2.3	4.9	3.7	3.4	3.9	4.9
Free Cash Flow excl IFRS 16	2.3	4.9	3.7	3.4	3.9	4.9
Acquisitions/Disposals of subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0
Other investments	-4.0	-6.3	-3.4	0.0	0.0	0.0
Change in borrowings	2.1	1.3	0.1	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	-0.3	-0.2	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Change in net cash over the year	0.1	-0.4	0.4	3.4	3.9	4.9
ROA (%)	8.5%	1.6%	4.2%	6.6%	7.7%	7.9%
ROE (%)	16.4%	3.9%	9.6%	14.0%	15.3%	14.7%
ROCE (%)	16.2%	9.4%	15.5%	21.1%	24.6%	26.9%

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Methodology

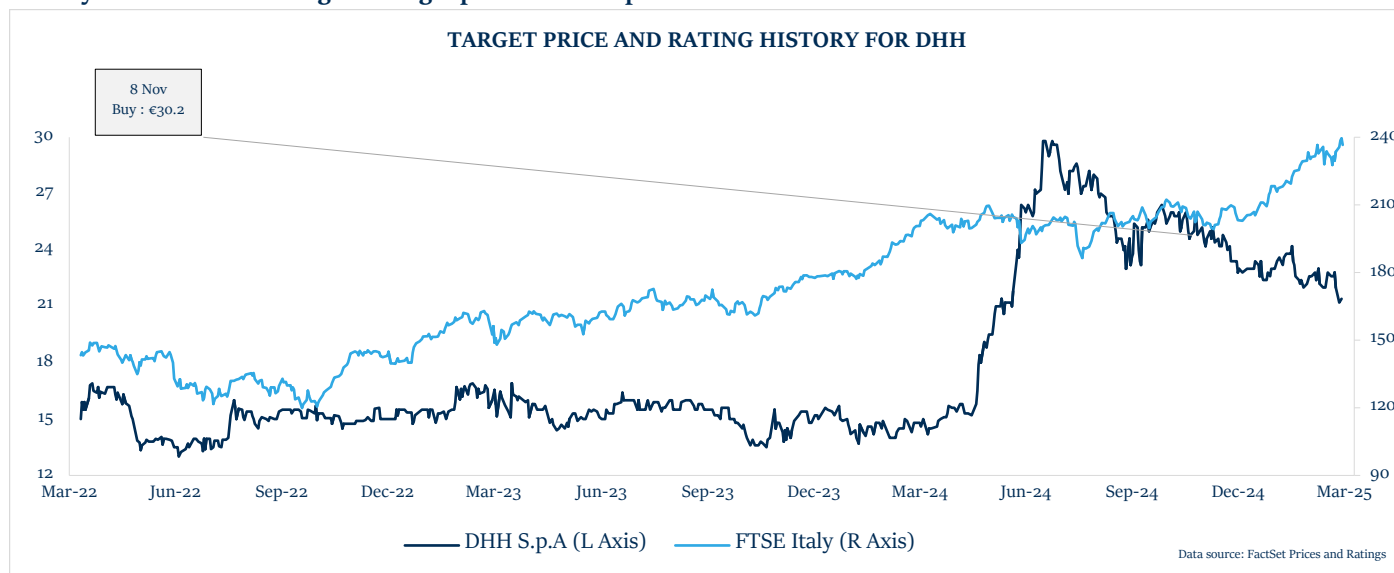
This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: DHH S.p.A

History of investment rating and target price – DHH S.p.A



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
20 Mar 25 - 08:32:25	Michele Mombelli	€ 30.20	€ 30.20	€ 21.40	Achat	Buy
25 Nov 24 - 08:19:32	Davide Longo	€ 30.20	€ 30.20	€ 24.60	Achat	Buy
08 Nov 24 - 08:03:38	Davide Longo	NA	€ 30.20	€ 24.60	NA	Buy

Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	80%	61%
Hold	15%	72%
Sell	3%	20%
Under review	2%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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