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Tear Sheet:

Infrastrutture Wireless Italiane S.p.A. Tear Sheet

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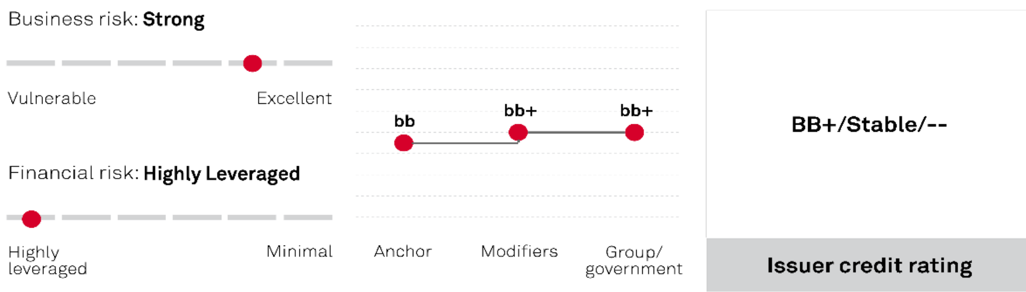
Infrastrutture Wireless Italiane S.p.A. (Inwit) posted solid growth of 8.6% in first-half 2024. This was supported by growth in master service agreement (MSA) fees, with indexation clauses for anchor tenants, TIM (Telecom Italia SpA, BB/Stable/B) and Vodafone (BBB/Stable/A-2), and growth in new services (primarily demand for radioelectric systems covering road and motorway tunnels and the construction of new indoor coverage). The deployment of 5G and densification of 4G, leading to additional presence points for the anchor tenants, as well as and new tenants and new services, will remain the key drivers of Inwit’s revenue growth.

Overall, we forecast healthy revenue growth at CAGR 7% between 2023 and 2026. This in conjunction with the implementation of a lease cost efficiency program, which should support margin expansion trending to 72% after leases (92% before leases) in first-half 2024 from 71% (91%) in the previous year. This should help Inwit reach margins of about 75% (92%) in 2026.

Notwithstanding the anticipated completion of a €300 million share buyback and the acceleration of dividends in 2024, we forecast leverage will decline in 2024-2026. Inwit completed its first tranche of share buy backs for a gross equivalent of about €150 million in February 2024 and is currently executing its second tranche for a maximum of €150 million, to be completed no later than October 15, 2024. This, along with the recently approved dividend distribution, leads us to now forecast a total of €450 million-€625 million in shareholder remuneration in 2024-2026. However, given the fast EBITDA growth and disciplined capital spending, we continue to forecast leverage to gradually decline toward and then below 5.0x in 2024-2026. This reflects improved rating headroom under our current 'BB+' rating, providing balance sheet flexibility.

We see the group’s liquidity as adequate with no significant maturities before 2026. The company recently extended the maturity of its €500 million sustainability-linked term loans to April 2027 (from April 2025). This has improved Inwit's debt maturity profile with the next significant maturity being the 1.875% €1 billion notes coming due in July 2026. We expect the company will address this well in advance of maturity.

Ratings Score Snapshot



Recent Research

- Industry Credit Outlook Update Europe: Telecommunications July 18, 2024

Company Description

Inwit is the largest independent cellphone tower company in Italy and the fourth-largest in Europe. It operates more than 24,000 towers, behind Cellnex Telecom, Vantage Towers, and the European arm of American Towers.

Outlook

The stable outlook reflects Inwit's smooth operational execution, swift organic growth, and industry-leading efficiency indicators. It also factors in that the company benefits from tailwinds such as strong growth in data usage and connectivity, coverage obligations for mobile operators, and inflation. We therefore forecast that headroom within the rating parameters will significantly increase.

Downside scenario

We could lower our rating on Inwit if our adjusted debt to EBITDA rises above 6x, or adjusted funds from operations (FFO) to debt weakens to below 12% or free operating cash flow (FOCF) to debt drops below 7% due to operational setbacks or a more aggressive financial policy than expected.

Upside scenario

We could raise the rating if adjusted leverage improved to less than 5x, FFO to debt rose above 15%, and FOCF to debt rose above and 10%. We would need to be convinced those levels can be sustained, however, depending on operational performances and on financial policy parameters.

Key Metrics

Period ending	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. EUR)	2023a	2024e	2025f	2026f
Revenue	960	1,042	1,115	1,171
EBITDA	879	957	1,025	1,077
Funds from operations (FFO)	752	785	846	885
Free operating cash flow (FOCF)	511	490	525	687
Dividends	336	458	492	529
Share repurchases (reported)	136	164	--	--
Discretionary cash flow (DCF)	39	(132)	32	158
Adjusted ratios				
Debt/EBITDA (x)	5.0	4.9	4.8	4.6
FFO/debt (%)	17.1	16.6	17.3	17.9
FFO cash interest coverage (x)	7.6	7.2	7.4	7.2
EBITDA interest coverage (x)	8.1	7.5	7.8	7.5
FOCF/debt (%)	11.7	10.4	10.7	13.9
Annual revenue growth (%)	12.5	8.6	7.0	5.0
EBITDA margin (%)	91.6	91.8	91.9	92.0

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro.

Peer Comparison

Infrastrutture Wireless Italiane S.p.A.--Peer Comparisons

	Infrastrutture Wireless Italiane SpA	Cellnex Telecom S.A.	SBA Communications Corp.	Operadora de Sites Mexicanos S.A.B. de C.V.
Foreign currency issuer credit rating	BB+/Stable/--	BBB-/Stable/--	BB+/Stable/--	BB+/Stable/--
Local currency issuer credit rating	BB+/Stable/--	BBB-/Stable/--	BB+/Stable/--	BB+/Stable/--
Period	Annual	Annual	Annual	Annual
Period ending	2023-12-31	2023-12-31	2023-12-31	2023-12-31
Mil.	EUR	EUR	EUR	EUR
Revenue	960	4,049	2,453	629
EBITDA	879	2,945	1,979	601
Funds from operations (FFO)	752	1,935	1,468	531
Interest	109	913	542	170
Cash interest paid	113	829	488	69
Operating cash flow (OCF)	811	1,960	1,531	501
Capital expenditure	299	493	213	144
Free operating cash flow (FOCF)	511	1,467	1,317	357
Discretionary cash flow (DCF)	39	1,425	867	146
Cash and short-term investments	95	1,292	190	147

Infrastrutture Wireless Italiane S.p.A.--Peer Comparisons

Gross available cash	95	1,408	190	147
Debt	4,386	21,791	12,981	2,160
Equity	4,336	15,147	(4,646)	2,394
EBITDA margin (%)	91.6	72.7	80.7	95.5
Return on capital (%)	5.9	1.4	13.0	6.1
EBITDA interest coverage (x)	8.1	3.2	3.7	3.5
FFO cash interest coverage (x)	7.6	3.3	4.0	8.7
Debt/EBITDA (x)	5.0	7.4	6.6	3.6
FFO/debt (%)	17.1	8.9	11.3	24.6
OCF/debt (%)	18.5	9.0	11.8	23.2
FOCF/debt (%)	11.7	6.7	10.1	16.5
DCF/debt (%)	0.9	6.5	6.7	6.8

Environmental, Social, And Governance

ESG factors have no material influence on our credit rating analysis of Inwit. Electricity is used mainly to feed the radio base stations and to cool equipment. The company reported a 100% share of renewable energy in 2022 and targets carbon neutrality by 2026.

Rating Component Scores

Foreign currency issuer credit rating	**BB+/Stable/--**
Local currency issuer credit rating	**BB+/Stable/--**
Business risk	**Strong**
Country risk	Intermediate
Industry risk	Intermediate
Competitive position	Strong
Financial risk	**Highly Leveraged**
Cash flow/leverage	Highly Leveraged
Anchor	**bb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	**bb+**

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019

- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Telecommunications And Cable Industry, June 22, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011