Milan, 26 March 2025

Italian Equity Research – FY24 Results

INTRED

BUY

Sector: Telecoms

Price: Eu11.15 - **Target: Eu16.50**

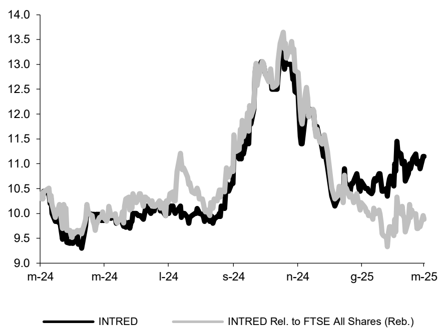
Strong Margin Despite Marketing Push and M&A Integration

Giorgio Tavolini +39-02-77115.279
giorgio.tavolini@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 17.20 to 16.50
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-2.8%	-2.6%	0.1%

Next Event
1Q25 Results Out 7 May 2025

INTRED - 12M Performance



Stock Data			
Reuters code:			INTD.MI
Bloomberg code:			ITD IM
Performance	**1M**	**3M**	**12M**
Absolute	1.4%	1.8%	7.2%
Relative	-0.3%	-14.1%	-5.9%
12M (H/L)			13.50/9.30
3M Average Volume (th):			6.24

Shareholder Data	
No. of Ord shares (mn):	16
Total no. of shares (mn):	16
Mkt Cap Ord (Eu mn):	177
Total Mkt Cap (Eu mn):	177
Mkt Float - Ord (Eu mn):	54
Mkt Float (in %):	30.2%
Main Shareholder:	
DM Holding S.r.l.	60.3%

Balance Sheet Data	
Book Value (Eu mn):	66
BVPS (Eu):	4.14
P/BV:	2.7
Net Financial Position (Eu mn):	-35
Enterprise Value (Eu mn):	212

- **FY24 results:** total revenues came in at €55.9mn (already disclosed on 11 February, in line with the €56–58mn target range), with net revenues at €55.2mn. EBITDA margin exceeded expectations, reaching 43% for the full year (vs. our 42% estimate), despite (a) €4.2mn in extraordinary marketing expenses - equivalent to 7% of sales vs. a historical ~3% - aimed at strengthening brand awareness over time, and (b) the lower-margin consolidation of Connecting Italia (14.9% margin). Excluding this, INTRED's standalone margin stood at 44.5%, and Connecting Italia is expected to gradually converge toward INTRED's profitability, following a similar strategy to the one adopted for the successful integration of QCOM. Despite higher EBITDA (€24mn, +€1.5mn YoY), EBIT came in at €11.8mn (-€0.9mn YoY, our exp. €11.6mn), reflecting higher D&A charges (+€2.4mn YoY), while the bottom line stood at €6.9mn (-€1.3mn YoY, our exp. €7.1mn), further hit by an increase in net financial charges (+€0.4mn YoY). FCFO came to €21.7mn (vs. our estimate of €26.4mn). DPS proposed at €0.10 (our exp. €0.11). Net debt was €32.8mn (vs. our exp. €28.2mn), mainly due to higher CapEx of €32.2mn (vs. our exp. of €28.2mn), with 81% allocated to proprietary network expansion and 19% to IRU.
- **Short-term outlook:** the FY25 outlook remains positive, with encouraging trends confirmed in the early months of the year, supported by higher volumes. CapEx continues to focus on the expansion of the proprietary network, while the company awaits permits for the Brescia DC project (€13mn CapEx). On this, we assume €4–5mn to be spent in FY25, with the remainder allocated to FY26. From FY26 onwards, CapEx should decline, supporting FCF generation. No change to the FY27 targets presented in September last year, which include revenues of €67–73mn, EBITDA of €34–36mn (~50% margin), and cumulative CapEx of approximately €80mn over the 2024–27 period.
- **Change in estimates**: while reaffirming our confidence in the 2027 outlook, we are fine-tuning our FY25 top line and EBITDA estimates, lowering them by 1-2%. We now project a 1.7pp margin expansion in FY25 and c.2-3pp over FY26–27, driven by the progressive return on marketing investments and the ongoing repositioning of Connecting Italia. These changes result in a low single-digit revision in EPS. Additionally, we are shifting part of datacentre-related CapEx from FY25 to FY26, leading us to forecast peak net debt of €35mn in FY25 (1.3x EBITDA), declining to below €30mn in FY26 (1.0x), and halving to approximately €13mn by FY27 (0.4x).
- **BUY confirmed; target €16.5 (from €17.2**). FY25 expectations are closely tied to the brand repositioning effort launched in FY24, the phasing out of the top line contribution from School Tenders, and the company's ability to rapidly unlock cost synergies from Connecting Italia, bringing its margins in line with Group levels. In the meantime, we believe the company is well placed to seize differentiation opportunities in adjacent sectors. The DC opportunity stands out, as it requires no significant CapEx, is perfectly synergistic with existing operations, and offers high, long-term visibility on revenues, strong profitability once capacity saturation is reached, and an IRR in the low 20s. Further upside could come from M&A, as the company holds valuable assets, such as a proprietary network and a well-established, loyal customer base, positioning it advantageously in a market consolidation scenario. The stock is currently trading at c.7x EV/EBITDA'25 (Unidata c.4x, EU Telco Sector c.6x).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	51	56	59	64	67
EBITDA Adj (Eu mn)	23	24	26	30	34
Net Profit Adj (Eu mn)	8	7	8	10	12
EPS New Adj (Eu)	0.516	0.434	0.482	0.599	0.732
EPS Old Adj (Eu)	0.516	0.447	0.496	0.616	0.732
DPS (Eu)	0.100	0.100	0.121	0.132	0.146
EV/EBITDA Adj	9.4	8.4	8.0	6.9	5.6
EV/EBIT Adj	16.6	17.2	16.8	13.4	10.3
P/E Adj	21.6	25.7	23.1	18.6	15.2
Div. Yield	0.9%	0.9%	1.1%	1.2%	1.3%
Net Debt/EBITDA Adj	0.9	1.4	1.3	1.0	0.4

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.
As at 31 December 2024 Intermonte’s Research Department covered 132 companies.
As of today Intermonte’s distribution of stock ratings is as follows:

BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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