

INTRED

Sector: Telecoms

BUY

Price: Eu12.50 - Target: Eu17.20

Revenue Boost from UBB and Recurring Services

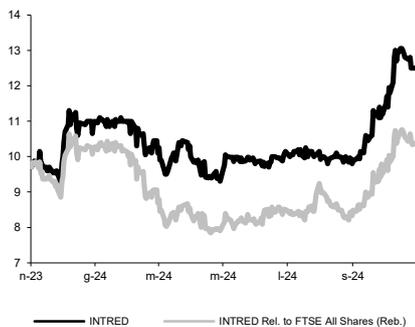
Giorgio Tavolini +39-02-77115.279
 giorgio.tavolini@intermonte.it
Andrea Randone: +39-02-77115.364
 andrea.randone@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event: FY24 Sales out in early Feb. 2025

INTRED - 12M Performance



Stock Data

Reuters code: INTD.MI
 Bloomberg code: ITD IM

Performance	1M	3M	12M
Absolute	11.6%	23.2%	28.9%
Relative	9.3%	13.6%	9.2%
12M (H/L)	13.05/9.28		
3M Average Volume (th):	4.21		

Shareholder Data

No. of Ord shares (mn):	16
Total no. of shares (mn):	16
Mkt Cap Ord (Eu mn):	199
Total Mkt Cap (Eu mn):	199
Mkt Float - Ord (Eu mn):	60
Mkt Float (in %):	30.2%
Main Shareholder:	
DM Holding S.r.l.	60.3%

Balance Sheet Data

Book Value (Eu mn):	61
BVPS (Eu):	3.81
P/BV:	3.3
Net Financial Position (Eu mn):	-28
Enterprise Value (Eu mn):	227

- 9M24 sales.** INTRED reported 9M sales at €40.7mn (up 10.6%), in line with our estimate (€40.8mn). Excluding the c.€2.1mn Connecting Italia contribution (our exp. €2.0mn), standalone revenue was €2.1mn, up 5.0% (1Q: +6.4%, 2Q: +5.1%, 3Q: +3.5%). The legal effects of the merger of Connecting Italia into INTRED will materialise by year-end, with accounting and tax effects retroactive from 1 January 2024. Top line growth was mainly driven by Ultrafast Broadband sales, up 10.7% YoY to €24.6mn. Recurring services, the core business, were 88.8% of revenue, rising +13.5% YoY to €36.2mn. Geographically, the fastest growth came in the Milan, Pavia, Monza, Lecco, Mantua and Sondrio provinces. Thanks to School Tenders, Intred is actively driving sales expansion across all provinces of Lombardy, with a strong focus on the local public and professional sectors.
- Revenue growth across all customer segments:** Business segment (56% of total) including Connecting Italia, a 100% business-dedicated asset, continued its double-digit trajectory (1Q: +19%, 2Q: +18%, 3Q: +11%) and was the major contributor to growth in 9M. Wholesale segment (8% of total) saw a 5% increase in 9M, with quite a volatile trend across quarters, probably due to different phasing. The Public Administration (19% of total) and Residential (17%) segments showed steady growth, both increasing at a low single-digit rate in 9M.
- Strong execution on School Tenders, solid KPIs.** The School Tenders programme led to the activation of >4,200 schools (out of a total of approximately 5,000), generating €6.2mn on the top line in 9M (15% of 9M sales), compared to €4.4mn in 1H. The proprietary fibre network expanded by 10.9%, from over 11,700km in 2023 to over 13,000km as at 30 September 2024. The company maintained an industry-leading low churn rate of 4.6% (flat QoQ), reflecting high customer loyalty.
- No change in estimates.** Following a 9M turnover release that was in line with expectations, we do not envisage any changes to consensus, but visibility on current projections should be improved. Our estimates (unchanged) are consistent with the new 2024-27 outlook presented in late September, assuming i) a 7.5% top line CAGR (tgt: high single-digit) to €68mn in FY27 (tgt. €67-73mn); ii) an 11% EBITDA CAGR (tgt: double digit) to c.€34mn in FY27 (tgt €34-36mn) driving c.50% profitability in FY27 (our exp. 50.1%). Net debt is expected to peak in FY25 (our exp. €34mn, 1.3x leverage) to reflect the €13mn DC CapEx, then ease to c.€8mn in FY27 (0.3x EBITDA).
- BUY confirmed; target still €17.2.** We retain our DCF-based TP at €17.2 (c. 38% upside). The new BP outlines a clear development trajectory rooted in the existing business, effectively addressing market concerns about the completion of School Tenders while introducing new avenues of differentiation 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. Additional 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.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	51	58	60	64	68
EBITDA Adj (Eu mn)	23	24	27	31	34
Net Profit Adj (Eu mn)	8	7	8	10	12
EPS New Adj (Eu)	0.516	0.447	0.496	0.616	0.732
EPS Old Adj (Eu)	0.516	0.447	0.496	0.616	0.732
DPS (Eu)	0.100	0.112	0.124	0.135	0.146
EV/EBITDA Adj	9.4	9.3	8.7	7.3	6.1
EV/EBIT Adj	16.6	19.5	18.0	13.9	11.3
P/E Adj	24.2	28.0	25.2	20.3	17.1
Div. Yield	0.8%	0.9%	1.0%	1.1%	1.2%
Net Debt/EBITDA Adj	0.9	1.2	1.3	0.8	0.2

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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&P500 Index, most of those on the MIBEX 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.

Explanation of our ratings system:

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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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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