

INTRED

Sector: Telecoms

BUY

Price: Eu9.76 - Target: Eu16.50

Strong 1Q Sales Driven By Volumes, Further Boost from M&A

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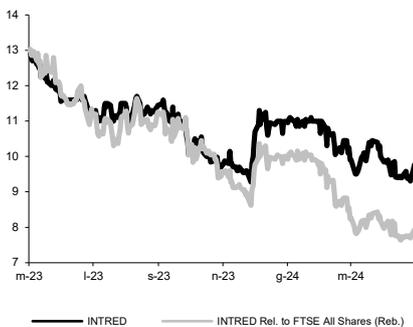
Stock Rating

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

Next Event

2Q24 Sales 2 Aug. / 1H24 Results 24 Sep

INTRED - 12M Performance



Stock Data

Reuters code:	INTD.MI		
Bloomberg code:	ITD IM		
Performance	1M	3M	12M
Absolute	-2.4%	-11.3%	-23.8%
Relative	-3.1%	-21.4%	-47.4%
12M (H/L)	13.00/9.28		
3M Average Volume (th):	4.51		

Shareholder Data

No. of Ord shares (mn):	16
Total no. of shares (mn):	16
Mkt Cap Ord (Eu mn):	155
Total Mkt Cap (Eu mn):	155
Mkt Float - Ord (Eu mn):	47
Mkt Float (in %):	30.2%
Main Shareholder:	
DM Holding S.r.l.	60.3%

Balance Sheet Data

Book Value (Eu mn):	60
BVPS (Eu):	3.77
P/BV:	2.6
Net Financial Position (Eu mn):	-33
Enterprise Value (Eu mn):	188

- Strong Sales and KPIs in 1Q.** Group top line grew 13.4% YoY to €13.8mn (+2% above our estimates). Specifically, Intred's standalone revenue stood at €13.0mn (our exp. €12.8mn), up 6.4%, while the recently-acquired Connecting Italia (whose merger into Intred is planned for this year) contributed €0.85mn (our exp. €0.8mn). Top line growth was primarily driven by sales of fibre optic connections (€8.4mn, +14.9% YoY). The company's core business, recurring services, accounted for about 85.3% of revenue, reaching €11.8mn, up 14.1%. Geographically, significant growth was observed in provinces such as Mantua, Sondrio, Pavia, and Lecco, with Intred actively supporting sales expansion, especially in the Lombardy region, through School Bids targeting local government and professional sectors. 3,700 schools were activated to date, generating total revenue of €2.3mn in 1Q. Additionally, the proprietary fibre optic network expanded by 4%, reaching >12,300km as at the end of March. The churn rate (at 4.5%) remains best-in-class in the industry, confirming the high level of customer loyalty.
- Expansion across all customer segments:** top line growth was notable in the public sector, up 11.9% to €2.8mn. The Business sector increased by 5.7% to €6.8mn (4Q: +5.1%), or +19% including Connecting Italia, a 100% business-dedicated asset. Wholesale increased 4.6% (4Q: +4.1%). Residential up 3.3% (4Q: +2.4%). CEO Daniele Peli emphasised the strong results posted in the quarter and mentioned the appointment of Egon Zanagnolo as the new General Manager (effective from 28 March) to drive additional company growth. Moreover, the company initiated a strategic advertising partnership with Andrea Pirlo, which it envisages will bolster brand awareness over the next two years.
- No change in estimates.** sales growth was consistent with our FY assumption (+14.8% YoY to €57.5mn, including a €3mn boost from Connecting Italia), so we are leaving our estimates virtually unchanged.
- BUY confirmed; target still €16.5.** The positive hints from 1Q results on current trading across all customer segments and the accelerated value creation through Connecting Italia bode well for developments over the coming quarters and enhance visibility on current estimates. We appreciate INTRED's business model, as it offers a very attractive risk-return profile thanks to: a) a proprietary network focused on future-proof UBB technology (no risk of disruptive change and limited long-term CapEx needs) and first-mover advantage in Lombardy; a highly strategic location (1/5 of Italy's GDP) with a strong presence of SMEs; b) footprint expansion from School Bids and a commercial investment cycle to support long-term growth and a faster take-up rate; c) strong visibility on IRR (upfront CapEx with guaranteed returns) with downside protection (visible and recurring revenue streams, low churn); d) a supportive regulatory framework (NRRP); e) long-term optionality offered by attractive assets (proprietary network, well-established and loyal customer base) in a potential market consolidation scenario.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	46	51	58	65	73
EBITDA Adj (Eu mn)	20	23	23	27	30
Net Profit Adj (Eu mn)	9	8	6	7	9
EPS New Adj (Eu)	0.546	0.516	0.408	0.457	0.556
EPS Old Adj (Eu)	0.546	0.516	0.408	0.457	0.556
DPS (Eu)	0.070	0.100	0.102	0.114	0.122
EV/EBITDA Adj	12.4	9.4	8.0	6.9	5.8
EV/EBIT Adj	20.2	16.6	17.5	15.0	12.2
P/E Adj	17.9	18.9	23.9	21.4	17.6
Div. Yield	0.7%	1.0%	1.0%	1.2%	1.3%
Net Debt/EBITDA Adj	0.6	0.9	1.4	1.1	0.7

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- 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)

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Frequency of research: quarterly.

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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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BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short
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