

# RAI WAY

Sector: Telecoms

**BUY**

Price: Eu5.85 - Target: Eu7.50

## Non-Core Items Drive Margin Upgrade, M&A Talks Continue

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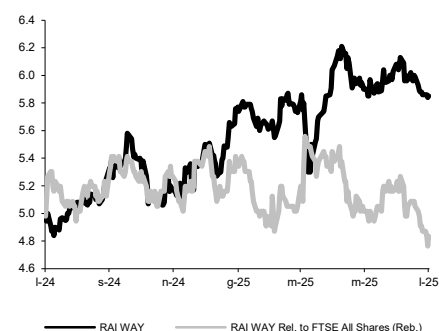
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 7.30 to 7.50		
	2025E	2026E	2027E
Chg in Adj EPS	2.7%	0.6%	0.2%

### Next Event

3Q25 Results out 13 November 2025

### RAI WAY - 12M Performance



### Stock Data

Reuters code:	RWAY.MI		
Bloomberg code:	RWAY IM		
Performance	1M	3M	12M
Absolute	-3.8%	-3.1%	17.5%
Relative	-6.7%	-12.2%	-3.5%
12M (H/L)	6.21/4.84		
3M Average Volume (th):	239.61		

### Shareholder Data

No. of Ord shares (mn):	272
Total no. of shares (mn):	272
Mkt Cap Ord (Eu mn):	1,591
Total Mkt Cap (Eu mn):	1,591
Mkt Float - Ord (Eu mn):	557
Mkt Float (in %):	35.0%
Main Shareholder:	
RAI	65.0%

### Balance Sheet Data

Book Value (Eu mn):	191
BVPS (Eu):	0.70
P/BV:	8.3
Net Financial Position (Eu mn):	-149
Enterprise Value (Eu mn):	1,740

Neutral release, with EFCF broadly in line with our expectations. Better adj. EBITDA and upgraded guidance were largely driven by non-core items booked in 1H (somewhat surprising this wasn't neutralised from the underlying trend), along with more favourable electricity tariffs. We estimate a ~€3mn uplift in FY EBITDA, although this will be largely unrepeatable in FY26. The further delay in development CapEx on diversification projects is notable. While not directly tied to the ongoing M&A with EI Towers, we believe deferring large multi-year investments — with implications on short term leverage — until the strategic endgame is clear would be a rational move.

- **1H25 results.** The 1H top line was broadly in line with estimates, while adj. EBITDA was higher, benefitting from €1.5mn of non-core benefits reported under Other Income, referring to the disposal of a RE asset. Stripping out this one-off, adj. EBITDA would have been 1-2% above consensus/our exp. EFCF was slightly below our forecast (€63mn vs. €64mn) and net debt was slightly higher (€178mn vs. our exp. €175mn).
- **FY25 outlook improved.** Adj. EBITDA is now seen above 2024 (€184.8mn), mainly on better energy tariffs and non-core items. Core business growth continues, partly offset by higher diversification costs. Maintenance CapEx remains above normalised levels, including non-recurring items. Development CapEx was revised downwards, now indicated below 2024, due to slight deferrals of certain initiatives into 2026.
- **Feedback from the call.** Limited disclosure on M&A talks with EI Towers due to NDAs; no timeline or confirmation of a definitive and irrevocable go/no-go decision. 2025 development CapEx lowered by 20–25%, with delays in photovoltaic, edge DCs, and tower rental projects. Hyperscale DC project ready, with concessions expected to be signed in September; €60–70mn CapEx mainly in 2027–28. CDN momentum continues with new framework agreements signed with 3 major streaming providers. Edge DC offering expanded to IaaS; partnership with Cubbit to power Rai Way cloud storage and jointly exploit the SMEs market.
- **Change in estimates.** We are factoring 1H non-core benefits into our estimates, bringing our FY25 EBITDA estimate up to ~€188mn, with no changes to later-year forecasts. At the same time, we are trimming 2025 development CapEx by €10mn, redistributing it evenly across 2026 and 2027, resulting in a ~2% rise in RFCF'25.
- **BUY confirmed; new TP €7.5 (from €7.3).** On the back of revised estimates, we are lifting our TP from €7.3 to €7.5 (still implying 11x EBITDA'25E) mainly to reflect a lower WACC (ERP reduced from 6% to 5.5%). Our TP is the sum of a fair DCF value of €6.7 (from €6.5) plus €0.5/share from EIT synergies and €0.3/share from diversification. RWAY is trading at 10x 2025E EV/EBITDAaL (vs. peers at ~16x), with an 8% 2027 RFCF yield and a ~6% dividend yield. We remain positive on the stock, which should benefit from greater speculative appeal on the potential merger with EI Towers (MoU on synergies expiring end of September) and the upside from strategic opportunities in adjacent sectors (DC project with >10% unlevered IRR). The current BP offers a clear industrial path for Rai Way, especially in its traditional business, which continues to offer considerable growth opportunities, while value creation from diversification should emerge over the longer term.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	272	276	282	300	313
EBITDA Adj (Eu mn)	180	186	188	195	206
Net Profit Adj (Eu mn)	92	92	88	89	96
EPS New Adj (Eu)	0.337	0.337	0.324	0.329	0.353
EPS Old Adj (Eu)	0.337	0.337	0.315	0.327	0.352
DPS (Eu)	0.319	0.334	0.321	0.329	0.353
EV/EBITDA Adj	8.5	8.2	9.3	9.2	9.0
EV/EBIT Adj	11.7	11.4	13.4	13.6	13.1
P/E Adj	17.4	17.3	18.1	17.8	16.6
Div. Yield	5.4%	5.7%	5.5%	5.6%	6.0%
Net Debt/EBITDA Adj	0.6	0.7	0.8	1.1	1.3

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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)

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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

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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:	32.84%
OUTPERFORM:	37.31%
NEUTRAL:	29.85%
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 (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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