Intermonte

Milan, 05 March 2025

Italian Equity Research – 4Q24 Preview

RAI WAY

BUY

Sector: Telecoms

Price: Eu5.67 - **Target: Eu7.50**

FY24 Results Set to Match Guidance; All Eyes on Consolidation

Giorgio Tavolini +39-02-77115.279
giorgio.tavolini@intermonte.it

- **FY24 preview.** We expect the company to have met its full-year guidance. Core revenues should have reached €277mn, up 1.7% (9M: +1.1% YoY), boosted by Media Distribution (€244mn, +1.5% YoY) from the CPI link on the RAI MSA (+0.7%) and the contractual contribution from the start-up in regional broadcasting networks. Digital Infrastructure should post 3.7% growth, consistent with the +3.3% underlying trend (excluding non-core and residual refarming impacts) seen in 9M24, supported by mid-to-high single-digit growth in FWAPs, MNOs and radio broadcasters. Adj. EBITDA should have grown 2.2% YoY (9M: +2.7%) benefitting from higher revenues, cost rationalisation in traditional business and some non-recurring benefits (e.g. one-off contribution and c.€1mn capitalised personnel costs, already booked in 9M) more than offsetting rising energy tariffs and start-up costs for new initiatives. Margins should normalise at 66.5% (+0.2pp YoY) after peaking in 9M (68.9%, +1.1pp YoY). Finally, assuming maintenance CapEx in line YoY and working capital relief we expect flattish EFCF at c.€114mn to be absorbed by maintenance CapEx (€48mn, in line with last year, implying a robust catch up in 4Q) and dividends (€87mn), leading to an increase in net debt to €143mn (+€38mn YoY) with leverage up to 0.8x (YE23: 0.58x).
- **EIT deal by summer?** According to *La Repubblica* (24 Feb), EI Towers (MFE 40%, F2i 60%) and Rai Way (RAI 65%) have appointed Arthur D. Little as a joint advisor, while Rai Way had already chosen Citigroup. The goal is to finalise an agreement by June, submit requests in July, and close a deal in early 2026. The December MOU grants exclusivity until 30 September, allowing for updated forecasts, regulatory assessments (as the new entity will be a *de facto* monopoly), and MSA negotiations.
- **Change in estimates**. We are making minor adjustments to FY24-27 estimates, raising the 2025 top line to reflect a higher CPI (1.2% vs. 1.1% previously) recorded at end-November. As for profitability, we note the tough comp with FY24, factoring in the lack of any one-off contribution (a penalty paid by a supplier in FY24, booked under other revenues), the lower level of capitalisation of personnel costs and higher energy costs. We also confirm a c.€3.0mn drag from new initiatives. These changes lead us to estimate adj. EBITDA of €184.7mn in FY25, up 0.5% YoY. For FY26-27 we assume a ramp-up of solar production revenues (c.€2.5mn in FY26 and €4.8mn in FY27, FY27 target ~€5mn).
- **BUY confirmed; target still €7.5.** We remain positive on the stock, which should benefit from higher speculative appeal on the potential merger with EI Towers (signing expected by summer) and the upside from strategic opportunities in adjacent sectors (DC project with >10% unlevered IRR). The current business plan 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. On the back of current estimates, we confirm our target price of €7.5, which reflects a fair value of c.€6.7 from our DCF model (implying 11x 2024E EV/EBITDA) and additional upside from synergies with EIT (c.€0.6/share) and diversification opportunities (€0.3/share). RWAY is currently trading at c.10x 2025E EV/EBITDA, a discount of c.30% to key peers, as well as showing a compelling 2027 RFCF yield of 8% and a dividend yield of c.6%.

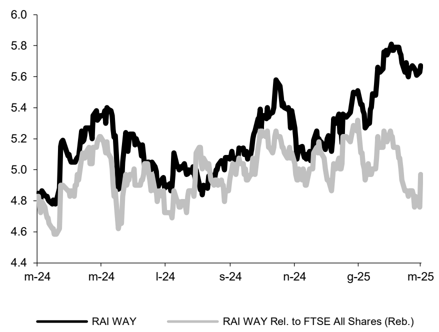
Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Sales (Eu mn)	272	277	287	301	314
EBITDA Adj (Eu mn)	180	184	185	196	207
Net Profit Adj (Eu mn)	92	90	84	86	92
EPS New Adj (Eu)	0.337	0.329	0.310	0.317	0.340
EPS Old Adj (Eu)	0.337	0.329	0.319	0.319	0.333
DPS (Eu)	0.319	0.328	0.310	0.317	0.340
EV/EBITDA Adj	8.5	8.3	9.8	9.3	8.8
EV/EBIT Adj	11.7	11.5	14.3	13.7	12.8
P/E Adj	16.8	17.2	18.3	17.9	16.7
Div. Yield	5.6%	5.8%	5.5%	5.6%	6.0%
Net Debt/EBITDA Adj	0.6	0.8	1.4	1.4	1.4

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	-2.8%	-0.7%

Next Event

FY24 Results out 19 March 2025

RAI WAY - 12M Performance



Stock Data			
Reuters code:			RWAY.MI
Bloomberg code:			RWAY IM
Performance	**1M**	**3M**	**12M**
Absolute	-2.4%	9.9%	17.4%
Relative	-4.9%	-0.3%	3.4%
12M (H/L)			5.81/4.78
3M Average Volume (th):			251.89

Shareholder Data	
No. of Ord shares (mn):	272
Total no. of shares (mn):	272
Mkt Cap Ord (Eu mn):	1,542
Total Mkt Cap (Eu mn):	1,542
Mkt Float - Ord (Eu mn):	540
Mkt Float (in %):	35.0%
Main Shareholder:	
RAI	65.0%

Balance Sheet Data	
Book Value (Eu mn):	186
BVPS (Eu):	0.69
P/BV:	8.3
Net Financial Position (Eu mn):	-260
Enterprise Value (Eu mn):	1,802

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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.

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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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:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
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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Further information is available