

RAI WAY

Sector: Telecoms

BUY

Price: Eu6.05 - Target: Eu7.30

Robust FCF on Seasonally Low CapEx; M&A Talks Underway

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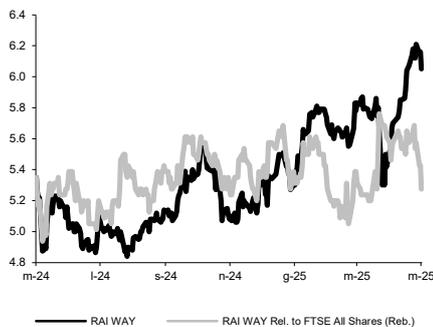
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 7.50 to 7.30		
	2025E	2026E	2027E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

2Q25 Results out 31 July 2025

RAI WAY - 12M Performance



Stock Data

Reuters code:	RWAY.MI		
Bloomberg code:	RWAY IM		
Performance	1M	3M	12M
Absolute	9.6%	6.3%	13.1%
Relative	-5.5%	0.1%	-1.4%
12M (H/L)	6.21/4.84		
3M Average Volume (th):	313.47		

Shareholder Data

No. of Ord shares (mn):	272
Total no. of shares (mn):	272
Mkt Cap Ord (Eu mn):	1,646
Total Mkt Cap (Eu mn):	1,646
Mkt Float - Ord (Eu mn):	576
Mkt Float (in %):	35.0%
Main Shareholder:	
RAI	65.0%

Balance Sheet Data

Book Value (Eu mn):	186
BVPS (Eu):	0.68
P/BV:	8.8
Net Financial Position (Eu mn):	-162
Enterprise Value (Eu mn):	1,808

■ **1Q25 results.** Overall, 1Q results were in line with expectations and enabled the company to confirm full-year 2025 guidance. Core revenues increased by 1.7%, supported by both segments: Media Distribution, up +1.6%, mainly driven by CPI (+1.2%), and Digital infrastructure (+2.5% reported, +3.1% underlying), which benefitted from rising tower hosting volumes with radio broadcasters and FWAPs, and the first contribution from Edge DCS. Adj. EBITDA nudged up by 0.2%, despite pressure from higher energy tariffs (+€1.1mn) and initial costs related to diversification projects (c. €1.0mn), showing the solid operating leverage and profitability of the traditional business. The adj. EBITDA margin was 67.0% (-1.0pp YoY), better than expected (+0.6pp vs our exp). Personnel costs rose 4% when excluding the lower level of capitalization compared to 1Q24, while other costs were broadly stable (+0.2% YoY). Growing D&A associated with the CapEx cycle led to a decrease in EBIT (-5.1%) and net income (-5.3%). Typically low 1Q maintenance CapEx drove robust EFCF of ~€32mn (vs our €29mn), reducing net debt to €116mn (vs our/cons. €113mn, -€11mn YoY), with leverage at 0.63x (vs YE24: 0.69x).

■ **Conference call feedback.** Consolidation: analysis of the merger with EIT is ongoing. The focus is on the industrial aspects and potential synergies. The EIT MSA with MFE was recently expanded to include ownership of active equipment, making it more comparable to RWAY. Despite this, RWAY's broader scope of activities with RAI likely explains the relevant difference in its anchor MSA compared to EIT's. FY outlook confirmed: further healthy growth of adj. EBITDA of traditional business, substantially offset by: higher energy prices and higher absorption from diversification (in line with BP assumptions). Hyperscaler DC: authorisations received, a key milestone (Conferenza dei Servizi) cleared this week, though some bureaucratic hurdles remain. Edge DC: FY25 revenue seen above €1mn; in this ramp-up phase, securing multi-year contracts is key to sustaining growth. CDN: ongoing commercial negotiations with some major content providers following the positive outcome of the trials. New HQ: relocation of the Rome HQ completed.

■ **BUY confirmed; target revised from €7.5 to €7.3 (higher EMRP, estimates unchanged).** 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 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. On unchanged estimates, we trim our TP from €7.5 to €7.3 (still implying 11x EBITDA'25E) on a higher equity risk premium (6.0% vs 5.5%), reflecting a fair DCF value of €6.5 (from €6.7), plus €0.5/share from EIT synergies and €0.3/share from diversification. RWAY trades at 9.8x 2025E EV/EBITDA (vs peers at ~13x), with an 8% 2027 RFCF yield and ~6% dividend yield.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	272	276	287	301	314
EBITDA Adj (Eu mn)	180	186	185	196	207
Net Profit Adj (Eu mn)	92	92	85	89	96
EPS New Adj (Eu)	0.337	0.337	0.311	0.327	0.353
EPS Old Adj (Eu)	0.337	0.337	0.311	0.327	0.353
DPS (Eu)	0.319	0.334	0.311	0.327	0.353
EV/EBITDA Adj	8.5	8.2	9.8	9.5	9.2
EV/EBIT Adj	11.7	11.4	14.3	14.0	13.4
P/E Adj	18.0	17.9	19.4	18.5	17.1
Div. Yield	5.3%	5.5%	5.1%	5.4%	5.8%
Net Debt/EBITDA Adj	0.6	0.7	0.9	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 of 5.5% are being used.

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:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	52.70 %
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NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
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