

RAI WAY

Sector: Telecoms

BUY

Price: Eu5.96 - Target: Eu7.30

Steady 2Q25 Ahead, Overhang Risk Lifted, M&A Catalyst in Play

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Stock Rating

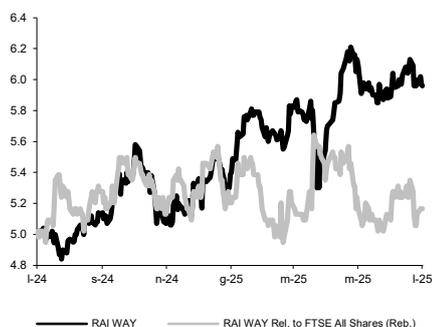
Rating: Unchanged
Target Price (Eu): Unchanged

	2025E	2026E	2027E
Chg in Adj EPS	1.4%	-0.2%	-0.2%

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	1.2%	5.1%	18.7%
Relative	1.4%	-5.5%	3.3%
12M (H/L)		6.21/4.84	
3M Average Volume (th):		264.09	

Shareholder Data

No. of Ord shares (mn):	272
Total no. of shares (mn):	272
Mkt Cap Ord (Eu mn):	1,621
Total Mkt Cap (Eu mn):	1,621
Mkt Float - Ord (Eu mn):	568
Mkt Float (in %):	35.0%
Main Shareholder:	
RAI	65.0%

Balance Sheet Data

Book Value (Eu mn):	189
BVPS (Eu):	0.69
P/BV:	8.6
Net Financial Position (Eu mn):	-161
Enterprise Value (Eu mn):	1,782

■ **2Q25 results preview.** We expect 2Q trends to be on track to hit FY guidance and remain consistent with the dynamics already seen in 1Q. Specifically, we expect revenues to have reached around €70mn, up 2.4% YoY, with Media Distribution revenues in the €62mn area, supported by revenues from RAI (€59mn, of which €57mn fixed consideration indexed to CPI+1.2% and €2mn from new services related to the DAB rollout that began in 1Q), as well as Digital Infrastructure revenues (2Q: €8.4mn, 1Q: €8.1mn), which should benefit from rising tower hosting volumes with radio broadcasters and FWAPs, and from the first contribution of Edge DCS. 1H adj. EBITDA should come in flattish at €93.2mn (-0.3% YoY, 66.5% margin), reflecting pressure from higher energy tariffs and initial costs related to diversification projects, while highlighting the solid operating leverage and profitability of the traditional business. Growing D&A in 1H, linked to the ongoing CapEx cycle, is expected to drive a decline in EBIT (€65mn) and net income (€45mn). Flattish maintenance CapEx should support robust EFCF of approximately €64mn in 1H, broadly flat YoY. This, combined with development CapEx (€12mn) and dividend payments (€90mn), should lead to net debt of €175mn (+€48mn YTD), with leverage at 0.8x (vs. YE24: 0.69x).

■ **Overhang risk cleared, M&A talks with EIT ongoing.** On 30 June, the press reported that RAI has ruled out selling its 15% stake in Rai Way (RAI holds 65%), a move previously considered ahead of the new BP. Stronger FY24 results at RAI (+€115mn revenues YoY) made the sale unnecessary. Talks with EIT continue, with both sides assessing synergies and industrial options for a potential merger. Despite EIT's recent MSA extension, RWAY retains a broader scope due to its favourable RAI agreement. The update removes the overhang and supports our positive stance.

■ **Change in estimates.** We are revising our top line estimates assuming a less challenging ramp-up for diversification revenues, particularly for CDN and Datacentre services, assuming around €1mn this year (evenly split between the two clusters), in line with management's indications during the 1Q call. We still expect revenues to reach approximately €10mn by FY27, in line with the company's official target, but assuming a mix of 70% Datacentre and 30% CDN (previously 90%-10%). As a result, we are cutting 2025 revenues by 2%, while leaving FY26-27 broadly unchanged, with higher profitability and no material EBITDA impact. We are also lowering financial charges by ~€1mn, driving a 1% EPS uplift in FY25 and negligible changes thereafter.

■ **BUY confirmed; target still €7.3.** We remain positive on the stock, which should benefit from greater speculative appeal on the potential merger with EIT 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. On our revised estimates, we confirm our TP at €7.3 (still implying 11x EBITDA'25E) reflecting a fair DCF value of €6.5 plus €0.5/share from EIT synergies and €0.3/share from diversification. RWAY is trading 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	282	300	313
EBITDA Adj (Eu mn)	180	186	185	195	206
Net Profit Adj (Eu mn)	92	92	86	89	96
EPS New Adj (Eu)	0.337	0.337	0.315	0.327	0.352
EPS Old Adj (Eu)	0.337	0.337	0.311	0.327	0.353
DPS (Eu)	0.319	0.334	0.315	0.327	0.352
EV/EBITDA Adj	8.5	8.2	9.6	9.4	9.2
EV/EBIT Adj	11.7	11.4	14.0	13.9	13.3
P/E Adj	17.7	17.7	18.9	18.2	16.9
Div. Yield	5.3%	5.6%	5.3%	5.5%	5.9%
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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	38.35%
NEUTRAL:	29.32%
UNDERPERFORM:	00.00%
SELL:	00.00%

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OUTPERFORM:	29.11%
NEUTRAL:	18.99%
UNDERPERFORM:	00.00%
SELL:	00.00%

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