Intermonte

Milan, 20 March 2025

Italian Equity Research – FY24 Results

RAI WAY

BUY

Sector: Telecoms

Price: Eu5.87 - **Target: Eu7.50**

Robust RFCF, Edge DC Revenues Kick In, CapEx Shift to 2026-27

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- **FY24 results.** The company posted solid results showing the initial contribution from edge DCs, as reflected in the acceleration of digital infrastructure revenues in 4Q (+5.8%, 9M: +1.5%) and strong profitability, driven by good cost control and higher capitalisation of personnel costs, despite the lack of energy incentives and higher start-up costs. Core revenues reached €276.1mn (our exp. €276.6mn /cons. €276.2mn), up 1.5% (9M: +1.1%), supported by Media Distribution (€244mn, +1.4%, 4Q: +2.4%) from the CPI link on the RAI MSA (+0.7%), DTT coverage improvement, regional frequencies and the first contribution from CDN. Surprisingly, Digital Infrastructure (€31.7mn) posted 3.9% growth (4Q: +5.8%), reflecting high single-digit growth in FWAPs, MNOs and radio broadcasters and the initial contribution of Edge DCs (€0.5mn in 4Q). Adj. EBITDA grew 2.9% YoY (4Q: +3.6%, 9M: +2.7%) to €185.6mn (our exp. €183.9mn/ cons. €183.7mn) with profitability up 90bp to 67.2%, despite higher energy tariffs and diversification start-up costs (€2.2mn in FY24, €1.0mn in FY23), driven by top line growth, efficiencies in traditional business and certain non-core benefits (e.g. Other revenues and capitalised personnel). Finally, with maintenance CapEx broadly in line, RFCF was stronger at c.€118mn (our exp. €114mn) fully absorbed by development CapEx (€40mn, -€7mn YoY), dividends (€87mn) and WKC outflow (€24mn), leading to an increase in net debt to €127mn (our exp. €143mn /cons. €132mn, +€23mn YoY) with leverage up to 0.69x (YE23: 0.58x).
- **Conference call feedback.** Consolidation: no current plans to monetise telco business; focus remains on exploring feasibility of consolidation and optimising shareholder value. 2025 outlook: adj. EBITDA broadly in line with 2024. Media distribution growth: 1.2% CPI rate. Digital infrastructure growth: CPI plus in 2025. Maintenance CapEx: exceed normalised level by €2mn in 2025. Development CapEx: in line with 2024 level (lower vs. BP), focusing on DAB rollout and diversification in 2025. CapEx shift for Hyperscale DC (~€77mn) to 2026-27, maintaining overall BP development CapEx (cumulative ~€246mn in 2024-26), the postponement has no link to ongoing talks with EIT. Edge DCs: multiyear revenue backlog of €6mn, average duration 3 years. Diversification: aiming for EBITDA breakeven by the end of the industrial plan.
- **Change in estimates**. No major changes apart from some savings on net financial charges and the postponement of €75mn of development CapEx to 2026-2027.
- **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 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 the back of current estimates, we confirm our TP of €7.5, which reflects a fair value of c.€6.7 from our DCF model (implying 11x EV/EBITDA'25E) and additional upside from synergies with EIT (c.€0.6/share) and diversification opportunities (€0.3/share). RWAY is currently trading at c.9.5x 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%.

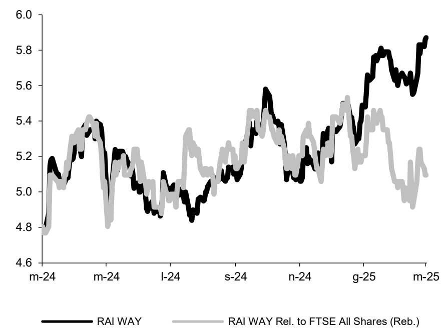
Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	272	276	287	301	314
EBITDA Adj (Eu mn)	180	186	185	196	207
Net Profit Adj (Eu mn)	92	92	85	89	96
EPS New Adj (Eu)	0.337	0.337	0.311	0.327	0.353
EPS Old Adj (Eu)	0.337	0.329	0.310	0.317	0.340
DPS (Eu)	0.319	0.334	0.311	0.327	0.353
EV/EBITDA Adj	8.5	8.2	9.5	9.2	9.0
EV/EBIT Adj	11.7	11.4	14.0	13.6	13.1
P/E Adj	17.4	17.4	18.9	17.9	16.6
Div. Yield	5.4%	5.7%	5.3%	5.6%	6.0%
Net Debt/EBITDA Adj	0.6	0.7	0.9	1.1	1.3

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.4%	3.4%	4.0%

Next Event

1Q25 Results out 14 May 2025

RAI WAY - 12M Performance



Stock Data			
Reuters code:			RWAY.MI
Bloomberg code:			RWAY IM
Performance	**1M**	**3M**	**12M**
Absolute	4.3%	13.5%	22.2%
Relative	0.9%	-3.3%	6.8%
12M (H/L)			5.87/4.78
3M Average Volume (th):			256.41

Shareholder Data	
No. of Ord shares (mn):	272
Total no. of shares (mn):	272
Mkt Cap Ord (Eu mn):	1,597
Total Mkt Cap (Eu mn):	1,597
Mkt Float - Ord (Eu mn):	559
Mkt Float (in %):	35.0%
Main Shareholder:	
RAI	65.0%

Balance Sheet Data	
Book Value (Eu mn):	186
BVPS (Eu):	0.68
P/BV:	8.6
Net Financial Position (Eu mn):	-162
Enterprise Value (Eu mn):	1,759

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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.
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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:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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