UNIDATA

BUY

Sector: Telecoms

Price: Eu3.70 - **Target: Eu6.50**

Capturing a Less Challenging Profitability Path after Strong 1H

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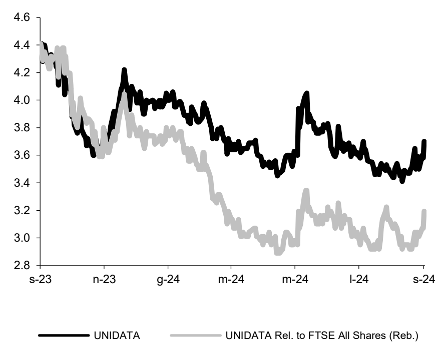
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 7.00 to 6.50
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-13.0%	-7.3%	2.9%

Next Event

3Q24 Results out 12 November

UNIDATA - 12M Performance



Stock Data			
Reuters code:			UD.MI
Bloomberg code:			UD IM
Performance	**1M**	**3M**	**12M**
Absolute	6.3%	-3.4%	-16.1%
Relative	2.3%	-1.1%	-31.7%
12M (H/L)			4.41/3.41
3M Average Volume (th):			6.06

Shareholder Data	
No. of Ord shares (mn):	31
Total no. of shares (mn):	31
Mkt Cap Ord (Eu mn):	114
Total Mkt Cap (Eu mn):	114
Mkt Float - Ord (Eu mn):	44
Mkt Float (in %):	38.8%
Main Shareholder:	
Uninvest (Brunetti/Vispi/Bianchi)	55.0%

Balance Sheet Data	
Book Value (Eu mn):	75
BVPS (Eu):	2.41
P/BV:	1.5
Net Financial Position (Eu mn):	-48
Enterprise Value (Eu mn):	162

- **1H24 results.** 1H results were exceptionally strong overall, in line with our expectations. The flat trend for revenues (1Q: +11%, 2Q: -9%) confirmed the inversion of the revenue mix with an increase in weight for Service Revenues and a slimming of those from Voice Trading. Within the mix, Service revenues (72% of total) grew 9% YoY, while Infrastructure revenues (26%) decreased 20% due to a change in the phasing of wholesale revenues via IRU (-32%), and due to activities related to Unifiber (-1%). The impressive improvement in the margin (1H: 25.2%, +2.5pp YoY) was essentially due to execution of important, high-margin projects that supported 1Q profitability (27.7%) compared to 2Q (21.5%). Industrial CapEx of €4.9mn (our exp. €5.1mn) and €1.4mn of financial investments (entirely booked in 1Q) led to net debt of €48.5mn (our exp. €46.7mn), broadly in line with YE23.
- **Feedback from the call.** Positive outlook confirmed thanks to execution of key initiatives (Service customer base expansion, Unifiber, Unitirreno, IoT tenders and #Roma5G project). FY24 profitability expected a touch above 1H, in the 25-26% area, also reflecting the growing portion of revenues from Infrastructure (we assume 15% margin for activities rendered to Unifiber). Focus on premium B2B clients with higher recurring revenues and greater profitability. Unifiber: still room for further business opportunities with Open Fiber, despite their internal difficulties in grey zone rollouts and refinancing. Unitirreno: subsea cable to be laid in November, fully operational from 2Q25, with 2 contracts already secured with Italian telcos. Call option to gain control of JV by June 2025. Unicenter: 4 hyperscale data centres under construction in the Rome area (Aruba, Digital Realty, Rai Way, Unicenter) could raise some concerns about future competition evolution. Unicenter still in the due diligence phase for real estate permits. Its modular investment (two 8MW modules, for total investment of €100mn, of which €50mn debt) will however allow Unidata/Azimut to better monitor returns before committing to the 2nd module. Open to partnerships with other operators to optimise capital allocation. IoT: over Eu19mn in IoT tenders since the beginning of 2023.
- **Change to Estimates.** After an exceptionally strong 1H, we revise estimates for a smoother top-line and profitability trajectory in FY24 and adjust FY25-26 to reflect an easier path to FY26 targets. These changes result in a 13%/7% EPS cut for FY24-25.
- **BUY confirmed; new TP €6.5 (from €7.0).** 1H results came in line with our expectations reinforcing visibility on operational outlook and new initiatives. This prompts us to remain positive on the stock (BUY), while we reduce our DCF-based TP to €6.5 (from €7.0), which implies 75% upside on current market price. The stock is trading at c.5x EV/EBITDA'25E (in line with the telco sector) and at our TP it would trade at 7.5x (not far off the 7.8x offered by Fastweb for Vodafone Italy). UD's business model offers a very attractive risk-return profile thanks to: a) a proprietary network based on future-proof FTTH technology (no risk of disruptive change and limited long-term CapEx) and first-mover advantage in Rome, a highly strategic location; b) significant opportunities from TWT (expansion to Lombardy, diversification and commercial synergies); c) great visibility on IRR (guaranteed returns on CapEx); d) downside protection (visible and recurring revenue, low churn); e) a supportive regulatory framework (NRRP boost).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	51	93	109	120	135
EBITDA Adj (Eu mn)	16	24	28	32	38
Net Profit Adj (Eu mn)	8	8	10	14	18
EPS New Adj (Eu)	0.243	0.264	0.330	0.443	0.582
EPS Old Adj (Eu)	0.243	0.264	0.379	0.478	0.566
DPS (Eu)	0.100	0.010	0.015	0.020	0.027
EV/EBITDA Adj	9.9	7.2	5.8	4.8	3.7
EV/EBIT Adj	15.0	12.4	9.4	7.2	5.2
P/E Adj	15.2	14.0	11.2	8.3	6.4
Div. Yield	2.7%	0.3%	0.4%	0.6%	0.7%
Net Debt/EBITDA Adj	0.6	2.0	1.7	1.3	0.8

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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:

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- 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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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